FINANCIAL TIMES

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No. 29,736 — Wednesday September 25 1985 — D 8523 B

U.S. space centre ready for take-off, Page 4

World news | Business summary

Madrid approves tough budget

Spain's Socialist Government approved a draft 1986 budget described by Economy and Finance Minister Carlos Solchaga as "tremendously austere" and involving sharp cuts in state investments.

The budget, aimed at keeping the Government deficit down to 4.5 per cent of gross domestic product, represents a political gamble in view of the general elections due to be held by autumn next year.

At the same time, the Government has brought its economic growth target for 1986 down to 2.5 per cent against an initial expectation a year ago of 3.5 per cent.

China reshuffle

The Chinese Politburo completed a series of leadership changes orchestrated by the country's leader, Deng Xiaoping, in an attempt to perpetuate his brand of pragmatism within the Communist Party. Among those appointed are Hu Qilui and Li Peng, who are apparently being groomed to head the party and the Government. Page 16

Fatah death threat

Arab extremist group Fatah has threatened to assassinate two Palestine Liberation Organisation representatives due to meet UK Foreign Secretary Sir Geoffrey Howe in London next month. Page 6

Unesco decision

UK Parliament's foreign affairs committee recommended that Britain should remain a member of the United Nations Educational, Scientific and Cultural Organisation (Unesco) from which it has threatened to withdraw by the end of 1985 if the organisation is not radically reformed by then. Page 19

Vienna blast

A bomb wrecked the facade of a Hungarian bank in the centre of Vienna, injuring 11 people.

300 Sikhs held

Indian police arrested about 300 suspected Sikh extremists in a last minute crackdown to head off trouble during today's election in Punjab state. Page 6

Chile orders arrests

Chilean appeal court ordered the arrest of the country's two leading opposition trade union leaders after indicting them on charges stemming from anti-government protests.

Plea for fishermen

Spain is seeking the prompt return of six fishermen captured by Polisario Front guerrillas after attacks off the coast of the disputed Western Sahara, in which a Spanish naval officer and a fisherman were killed.

Zimbabwe unity talks

Zimbabwe's ruling party and the main opposition party of Mr Joshua Nkomo are preparing to resume crucial merger talks in a last-ditch effort to forge unity and bring about peace in the troubled country.

Rebel base taken

Mozambique security forces said they had captured an important rebel base in the country's central Zambezia province and killed 21 guerrillas.

Pirates killed

Malaysian police said they believed they had killed many of the Filipino pirates who plundered a remote Borneo town and killed several residents.

Picasso museum

Paris opens the 300-year-old villa Hotel Salé as a Picasso museum on Saturday, exhibiting more than 200 of his paintings, 150 sculptures and 3,000 drawings and prints.

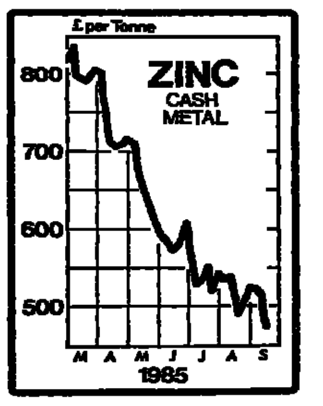
Norway to abolish interest ceilings

NORWAY is to abolish interest-rate ceilings for banks and insurers this week and will set lending rates through government bond and treasury bill issues. The move is designed to curb a huge increase in bank lending and private consumption.

Meanwhile, the Oslo bourse reached another high for the year with the stock exchange index 0.18 up at a record 388.23 following strong gains on Monday and last week.

DOLLAR fell in London to DM 2.714 (DM 2.7315), SwFr 2.2295 (SwFr 2.24), FFr 8.2750 (FFr 8.3450), Y229.7 (Y231.7). On Bank of England figures, the dollar's exchange-rate index fell to 134.4 from 134.5. Page 29

STERLING rose 50 points to $1.432 in London. It fell to DM 3.885 (DM 3.8975), SwFr 3.1925 (SwFr 3.195), FFr 11.8475 (FFr 11.9075) and Y329 (Y330.5). The pound's exchange-rate index fell to 82.8 from 83.1. Page 29



ZINC prices were further depressed by continuing oversupply, and despite a late rally as sterling slipped back from its high point for the day, against the dollar, the London high-grade cash price closed at £472.5 ($661.5) a tonne, £6 down and its lowest close for 28 months. Page 28

GOLD rose $1 in the London bullion market to close at $328.50. It also rose in Zurich to $327.55 ($326.55). In New York, the Comex December settlement was $334.80. Page 28.

WALL STREET: At 3pm the Dow Jones industrial average was 0.23 down at 1316.08. Page 36

LONDON equities came under renewed selling pressures and the FT Ordinary share index closed 12.6 down at 982.7. Page 36

TOKYO: Hopes of lower interest rates boosted share prices and the Nikkei-Dow market average gained 22.59 to finish at 12,755.60. Page 36

SWEDEN's balance of payments current-account deficit was SKr 12.9bn ($1.5bn) in the first seven months and may have been SKr 15bn by the end of August. Page 3

TORONTO and American stock exchanges opened the first cross-border electronic trading link between two leading equity markets. Page 17

BARRATT Developments, Britain's biggest house builder, reported that its pre-tax profits dropped to £4.1m ($5.8m) for the year ending June 30 from £35.6m in the corresponding 1984 period.

TOYOTA MOTOR lifted group net profits by 37.7 per cent to Y405.8bn ($1.7m) for the year after strong sales in the U.S. and China and the yen's depreciation against the dollar. Page 19

NEWS CORPORATION, media group headed by Rupert Murdoch, suffered a A$5m (U.S.$3.5m) slide in second-half earnings to A$38m, leaving net profits for the June 30 year just A$220,000 up at A$96.09m.

APPLE Computer's former chairman and co-founder, Steven Jobs, denied that he had tried to steal information and staff from the company. Page 17

S-E BANKEN, Sweden's leading commercial bank, held operating earnings unchanged in the first eight months of the year but warned that the Government's tough monetary policies would bring lower profits for the full year. Page 17

IMF insists tough policies lay base for future growth

BY STEWART FLEMING IN WASHINGTON

THE International Monetary Fund yesterday firmly rejected growing complaints from developing countries about adjustment policies prescribed for solving their debt crises and asserted that the foundation was being laid for future economic growth.

With Latin American countries becoming especially restive about their debt burdens, and concern rising about Mexico's ability to service its rescheduled debt after its devastating earthquake, the IMF's annual report, published yesterday, will be seen as a clear statement of resistance to any sweeping change of approach to dealing with the international debt problem.

However, there is growing recognition among the industrialised countries that more flexibility may be needed in nursing the world through the debt crisis. A senior U.S. Treasury official said in Washington yesterday that the U.S. saw the need for a larger role for the World Bank and for a modification of the current strategy for dealing with the debt crisis.

He also indicated that the U.S. was becoming more and more concerned about the failure of the international banking system to provide more funds to heavily indebted countries.

But he added that the U.S. saw no need for an early increase in the World Bank's capital, given its current lending goal of between $40bn and $45bn over the next three years.

"It is true we are reviewing the debt situation," the official said. "We have always said that the debt strategy is flexible and there is a growing view that the situation is changing."

The IMF says in its report that although actions by industrial countries are needed to improve the performance of the world economy, the principal responsibility for ensuring that developing countries strengthen their economies lies with the countries themselves.

The Fund thus remains firm in its belief that the economic austerity packages, which the IMF has insisted upon in return for loans, and the economic adjustments they are designed to achieve, are essential as a foundation for future economic growth.

The IMF also makes clear that increased co-ordination of economic policies between industrialised countries are essential in "any serious attempt to achieve greater exchange rate stability." It says that exchange-rate volatility over the past two years has tended to create changes in international competitiveness between countries that have tended to increase rather than diminish trade imbalances. That has worked against the need to re-establish a stable pattern of current-account positions.

The release of the IMF's report follows the announcement by the Group of Five leading industrial countries on Sunday of a new effort to improve the co-ordination of their economic policies.

Complaints by officials that commercial banks are cutting, not increasing, their lending commitments to developing countries – even to those with economics that are performing better – suggest that governments would like to put pressure on the banks not to do so. But governments are wary of pressuring the banks for fear of being saddled with the responsibility later if the loans go bad.

Concern about the flow of finance to developing countries was underlined yesterday by a new study from the Institute for International Economics, a Washington-based research organisation that focuses on international economic issues. The Institute says in a report that even without a new eruption of the debt crisis, a satisfactory recovery of the debtor countries will require additional capital flows of about $15bn to $20bn. It calls for a decision next month at the IMF – World Bank annual meetings to increase the bank's capital by $40bn so as to increase its lending by $4bn to $5bn.

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Editorial comment, Page 14

World Bank plans major Mexican rebuilding loan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE World Bank is to send a technical mission to Mexico within the next few days to begin discussions on a big reconstruction loan that might be approved by its board before the end of the year.

The size of the loan has yet to be determined, officials said yesterday, but it would be in addition to offers already made by the bank to speed up payment of some $300m loans already pending for Mexico's housing, water and transport sectors.

The discussions with Mexico come as its Government is already pondering offers of emergency help from the International Monetary Fund and Inter-American Development Bank. A response to those offers has been slow in coming, because of continuing communications difficulties and because the Government's overwhelming preoccupation remains its immediate rescue operation.

But it is becoming clear that leading international organisations stand ready to help Mexico, despite its well publicised difficulties in coping with its $96bn foreign debt.

IMF help, for example, would follow a precedent set for countries coping with natural disaster. Nine of them have received emergency loans in the past to offset losses to their balance of payments: most recently the Yemen Arab Republic in 1983.

Mexico would still qualify for such assistance even though it is out of compliance with an existing IMF economic adjustment programme, but any emergency loan would still count as part of its normal total entitlement to IMF funds.

Based on precedent, Mexico could expect to receive between 25 and 50 per cent of its IMF subscription quota in an emergency loan, which translates into $300m to $600m.

Commercial bankers say they have not been approached by Mexico for extra funds, although some are expecting a request for a $950m payment of principal due next month to be delayed.

Mexico is the second largest borrower from the World Bank in Latin America, having taken loans totalling $8.2bn since 1949 of which $2.5bn remain to be paid out.

Soviet Foreign Minister calls on UN to back 'star peace'

BY REGINALD DALE, U.S EDITOR, IN NEW YORK

MR EDUARD SHEVARDNADZE, the Soviet Foreign Minister, yesterday called on peoples of the world to endorse a co-operative concept of "star peace" to counter what he described as "the sinister plans" of President Reagan's star wars space defence programme, the Strategic Defence Initiative.

In his maiden speech to the UN General Assembly, Mr Shevardnadze sternly attacked the U.S., which he said was seeking to upset the world strategic balance and heighten the risk of nuclear war with the star wars project.

Mr Shevardnadze emphasised, however, that Moscow wanted "to build normal, stable relations" with Washington. It was in both sides' interest that the November summit meeting between Mr Reagan and Mr Mikhail Gorbachev, the Soviet leader, be successful, he said.

A world space organisation should be set up to promote the peaceful exploration of space and ensure that all nations benefited from it, rather than accelerate the arms race, the Soviet Foreign Minister said.

Soviet officials said Moscow wanted an international conference to launch the scheme, which would involve renouncing weapons in space, by 1987 at the latest.

Mr Shevardnadze's attacks on the U.S., although forthright and unambiguous, were not excessively shrill. He left the clear impression that Moscow believed there was room for the two countries to work together, at the November summit in Geneva and beyond. He warned, however, that the nuclear arms race had "taken a fresh start and is forging ahead."

The summit should focus on "preventing an arms race in outer space and terminating it on earth, limiting and reducing nuclear arms and enhancing strategic stability," Mr Shevardnadze said.

He produced no specific new arms control proposals in yesterday's speech. U.S. officials, however, are hoping that he will bring details of important Soviet proposals for reducing strategic arms when he visits Washington on Friday for talks with Mr Reagan.

Yesterday, the Soviet delegation was looking for maximum impact to the "star peace" initiative and the proposed space organisation. Soviet officials said that the organisation should be in charge of verification and compliance with treaties banning space weapons and should co-ordinate international space research, inter-planetary flights and manned space operations.

Mr Shevardnadze told the General Assembly that he did not think tensions in Soviet-American relations resulted from "a fated clash of national interests." The Soviet Union would work for a successful outcome to the summit, although Moscow was unsure whether Washington wanted such a result.

Opponents of the detente policies of the 1970s had sabotaged its achievements "and the risk of war has sharply increased," he said. With its star wars shield, the U.S. was hoping to protect itself from a retaliatory strike by the Soviet Union, Mr Shevardnadze warned.

Imperial sells Howard Johnson unit

By Martin Dickson in London and William Hall in New York

IMPERIAL Group, the British tobacco and brewing conglomerate, has reached an agreement to sell Howard Johnson, its troubled U.S. hotel and restaurant business, for $314m to Marriott, the U.S. hotels group.

In a complicated three-way deal, Marriott will in turn sell on a large part of the Howard Johnson's assets – including its hotels and motor lodges – to Prime Motor Inns, a small but fast-growing New Jersey motel group, for $235m.

The agreement announced yesterday marks the end of a year-long search by Imperial for a suitable buyer for Howard Johnson, which has performed poorly since it was acquired in controversial circumstances in 1980 and has long cast a shadow over the group's share price.

In London, market relief over the deal was tempered yesterday by the knowledge that Imperial has had to accept a substantially lower offer than the $400m to $450m it was initially thought a sale might achieve. Imperial shares closed at 186p, down 8p on the day.

However, Imperial is retaining one part of the Howard Johnson group, its chain of 211 Ground Round restaurants, recently revalued at about $50m which do not fit in with Marriott's strategy.

Imperial will receive only $162m in cash from Marriott, with the remainder of the $314m made up of intra-group debts which the parent company owes to Howard Johnson. However, Marriott will also take on Howard Johnson's external borrowings of about $138m. The net effect of the deal will be to improve Imperial's liquidity by about $300m.

Imperial bought Howard Johnson for $630m–£280m at the sterling/dollar exchange rate of the day. The sale of the chain and the revaluation of Ground Round is expected to reduce Imperial's net assets by about £127m at current exchange rates, of which about £100m will be written off directly to reserves, with the balance of about £27m appearing in the accounts as an extraordinary item.

With the sale completed, Imperial is expected to embark on a number of fresh acquisitions, most likely in the brewing and leisure sectors. There has been speculation, though, that its strong balance sheet might make it a bid target for a predator such as Hanson Trust.

Mr Geoffrey Kent, Imperial's chairman, said yesterday that the

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Fabius tries to force Hernu to take blame

BY DAVID HOUSEGO IN PARIS

M CHARLES HERNU, the former French Defence Minister, was yesterday accused of having given the orders that led to the sinking of the Rainbow Warrior, the anti-nuclear protest ship, in Auckland harbour, New Zealand, on July 10.

A front-page article in Le Monde, published with the prior knowledge of the Prime Minister's office, said that M Hernu had given the "green light" for the operation.

The article reflected the intense pressure now being put on M Hernu by his former ministerial colleagues and by the Socialist party to accept responsibility for the act. An admission of guilt is seen as the only way to protect both M Laurent Fabius, the Prime Minister, and President François Mitterrand, from the deepening crisis that has enveloped their administration.

But M Hernu, who was forced to resign last week, seemed in no mood yesterday to admit that he was guilty. Told of the Le Monde story in his home town of Lyons, he said that "it would have been stupid to neutralise (the boat) in a foreign port." M Hernu added that he was ready "to accept the responsibilities that were mine at the time" but called the sinking of the Rainbow Warrior a "scandalous act."

A further reason for the pressure on M Hernu to make a public confession of guilt is that it would also help to appease the foreign intelligence service, the DGSE, which since Friday has seen itself blamed for an act that it maintains was carried out on political orders.

Anger within the DGSE over this and the expectation of further purges within its ranks when a new head of the services is named at today's Cabinet meeting was behind the inspired allegations on Monday that M Fabius was informed of the Greenpeace operation almost immediately after the event.

In intensifying the pressure on M Hernu, the Government has evidently taken stock that neither his resignation nor M Fabius's statement on Sunday conceding that the DGSE was responsible has eased demands for a credible explanation of who gave the orders.

The only fault that M Hernu confessed to in his resignation statement was that he had been misled by senior officers who "hid the truth from me." The President provided comfort for him in saying that he would remain a "friend" after having earlier called the sinking "an absurd and criminal act."

Yesterday's article seemed to reflect an attempt by M Fabius to have the President choose between him and M Hernu.

The picture as presented by Le Monde, and which apparently accords with M Fabius's own analysis, is that M Hernu gave general orders to block the Greenpeace orga-

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Japan intervenes to prevent rise in $

BY MAX WILKINSON IN LONDON

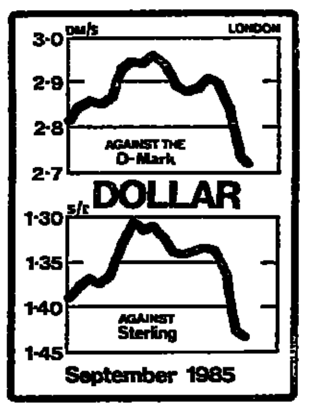
FOREIGN EXCHANGE markets reacted nervously yesterday to heavy intervention by the Bank of Japan to resist a rise in the dollar in early trading in the Far East.

The Japanese authorities spent more than $1bn of their reserves in the first big operation by a central bank since the weekend agreement by the five major powers in New York to join forces to depress the dollar.

Late on Monday the U.S. Federal Reserve was reported to have intervened moderately against the West German D-mark and the yen.

The signals that the authorities mean business in their campaign to push the dollar to lower levels created a highly nervous atmosphere in European trading.

However, the West German Bundesbank and the Bank of England held their fire, intervening only



marginally in support of their currencies.

After a frantic period of trading on Monday when the dollar lost

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Brussels survey points to wide drug price differences in Europe

BY PAUL CHEESERIGHT IN BRUSSELS

ANTIBIOTICS in West Germany cost on average 220 per cent more than they do in Italy. Drugs for the respiratory system in Britain cost around 120 per cent more than they do in France.

Consumers in the Netherlands and Italy are told that if they take one brand of tranquillisers they may feel dizzy, but consumers of the drug in other parts of the European Community are not given any such warning even though they use the same drug.

Such conclusions have emerged from a survey of the pharmaceuticals market in all EEC countries except Denmark, Greece and Luxembourg, undertaken by the European Bureau of Consumer Unions for the European Commission and published yesterday.

The results of the survey are generally seen as reinforcing analyses already made by the Commission itself and by private sector consultancies. They tend to strengthen moves already underway in Brussels to bring a greater sense of order to a fragmented market.

Measures for the pharmaceutical industry are planned in the context of the drive to create a Europe without frontiers by 1992. Stress is being laid on settling common criteria for pricing policy and social security compensation. Fresh moves are being made to obtain mutual recognition of drug authorisations.

But officials emphasised yesterday that there is no political chance of organising the common pricing of pharmaceuticals or common social security provisions partially to pay for them.

Distinct national policies of control on the industry account for at least some of the price disparities. The Consumer Unions survey found that overall France is the cheapest country in the EEC for pharmaceuticals. Going up the scale of expense, Belgium and Italy are the next lowest price markets, while the highest prices tend to be in Ireland, the Netherlands, the UK and West Germany.

But the averages hide huge distortions on individual products and groups of products. Taking a group of psycholeptics, for example, the Consumer Unions found that in the UK, the prices were 82 per cent more than in France, while in the Netherlands they were 193 per cent more and in West Germany 281 per cent more.

The unions note that these price differences can be explained. But, they add, "it is clearly more difficult to justify differences bearing directly on the medico-pharmaceutical aspects of a drug." Packaging and instructions for use differ from one country to another.

Chirac attacks Wellington on N-tests

By Our Foreign Staff

M JACQUES CHIRAC, leader of France's neo-Gaullist RPR party, yesterday launched a strong attack on New Zealand for opposing his country's nuclear tests in the South Pacific.

He said New Zealand should be an ally of France but had "long associated itself with operations which went directly against French interests."

"The political, logistical, material, certainly financial support given by the New Zealanders to every action that is taken against the nuclear tests in the Pacific is incomprehensible and inadmissible on the part of a friendly state," the French oppositions leader said in Noumea where he is campaigning for Sunday's local elections.

This is the first stage of Paris's plans for a referendum on independence by the end of 1987.

"This is particularly so because all the experts recognise that there is no sort of harm caused by these nuclear tests."

The former Prime Minister also said the latest official revelations on the sinking of the Greenpeace flagship Rainbow Warrior showed that a couple held in New Zealand were innocent of the attack and must be freed.

New Zealand authorities say, however, they are determined that the two French secret service agents being held in connection with the incident will go on trial in a New Zealand court.

SPD, E. Berlin in N-free zone talks

BY RUPERT CORNWELL IN BONN

IN A move which could raise further doubts about its foreign policy, West Germany's Social Democrat (SPD) opposition is about to embark on negotiations with the East German Communist Party (SED) over a future nuclear weapon free zone in central Europe.

The preparations for the discussions come only three months after the two parties agreed on a draft treaty which would ban the storing and production of chemical weapons in their countries.

The accord, unprecedented between a West European party committed to the Nato alliance and a Warsaw Pact Communist party, has now been followed by a formal proposal to that effect from Herr Erich Honecker, the East German leader, to Chancellor Helmut Kohl.

Czechoslovakia has subsequently informed Herr Kohl that it too would be ready to subscribe to such a pact, which might then be extended to embrace Poland to the east and the Benelux countries within Nato.

The SPD's initiatives have already led to jealous accusations from within the ruling centre-right coalition that it is conducting its own "parallel foreign policy" — charges that the East Germans, wittingly or unwittingly, fomented by lavishing a regal reception upon Herr Willy Brandt, the Social Democrat chairman, during his recent visit there.

More seriously, many conservative observers here fear that the SPD may be allowing itself to be used as a tool by Moscow, in the run-up to the 1987 Federal elections here in which the opposition now seems likely to give Herr Kohl a much closer run than seemed likely only a few months ago.

The Soviet Union has consistently sought to loosen Bonn's anchorage in the Western alliance, and just a week ago Pravda proclaimed Moscow's readiness to guarantee a central European chemical weapon free zone, describing the issue as of "extraordinary importance."

The SPD team for the non-nuclear zone talks will be led by its veteran Ostpolitik negotiator Herr Egon Bahr, among the party's most trenchant critics of U.S. weapons policy and of the alleged failure of Washington to do more to promote detente.

The Social Democrats in fact have comparable negotiations in hand with other East bloc nations. They are discussing confidence building measures with the Poles, environmental issues with the Czechoslovaks and means of lowering defence budgets with experts from the Soviet Union.

All are described as "pilot projects" exploring a means of developing the Ostpolitik pioneered during the chancellorship of Herr Brandt between 1969 and 1974.

Herr Johannes Rau, the SPD's designate candidate to run for the Chancellorship in 1987, is generally reckoned to be a "conservative" on defence, sympathetic to the views of former Chancellor Helmut Schmidt, which now stand abandoned by the party. He may well be embarrassed by the latest activity, in which he has conspicuously played no part.

Honecker calls for more W. German trade

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY'S leader Herr Erich Honecker told a prominent West German industrialist that his country wished to expand its trade with West Germany which is expected to exceed a record DM 16bn (£4.1bn) this year.

In a meeting with Herr Berthold Beitz, chairman of the Krupp company's supervisory board, Herr Honecker said there were many "concrete starting points" for such an expansion. Herr Beitz noted that trade with East Germany was important for a considerable number of large West German companies as well as specialised small and medium-sized ones. He said Krupp was negotiating on a number of "interesting" projects with East Germany.

The meeting with Herr Beitz was Herr Honecker's third one in recent days with prominent West Germans. He has also held talks with Her Otto Wolf von Amerongen, president of the West German Chamber of Industry and Trade.

The East German leader concluded talks late last week with Herr Willy Brandt, chairman of the Social Democrats (SPD) in West Germany. Herr Brandt said afterwards that Herr East German leadership's "determination" to allow more East Germans to visit their families in West Germany in urgent family matters such as a death or marriage. Last year 61,000 East Germans under retirement age were permitted to visit their families in the West but the rate of visits dropped to 38,000 in the first eight months of this year.

Herr Erich Honecker

A joint communique said both sides would do their utmost to keep outer space free of the arms race, a reference to the Reagan Administration's Strategic Defence Initiative which Herr Honecker condemned in a banquet speech.

The communique said Herr Brandt favoured a "security partnership" between East and West Germany to keep the level of armaments on both sides at the lowest possible level. Both men agreed further deployment of nuclear weapons in Europe should be halted.

Herr Brandt noted at a news conference afterwards that Herr Honecker told him the new medium-range Soviet missiles deployed in East Germany could reach the Rhine in "less than one minute."

Coal subsidies row eases

BY OUR BRUSSELS STAFF

THE EUROPEAN Commission is backing away from a damaging dispute with the British Government over the control of subsidies to the coal industry after the end of this year.

When the 14-strong-Commission meets today it will be presented with a paper from Mr Nicholas Mosar, the Commissioner for Energy, recommending the extension of the existing system for coal subsidies for a further six months and then a further year before a new system is introduced.

Coal is effectively exempted from the normal competition rules of the EEC, but the exemption runs only until the end of 1985. Strict application of the competition rules would prohibit subsidies.

Thinking in the Commission on a new system for coal subsidies started from the point of tightening up the provisions under which aids would be permitted, thereby bringing national industries under closer control from Brussels.

But Mr Peter Walker, the UK Energy Secretary, has made clear that, because there is virtually no intra-Community trade in coal, there is no case for Brussels control. This view reflected Whitehall sensitivity about what it sees as interference from the Commission

But it is the timing which suggests that a row with the UK will be avoided. Mr Walker has announced a £2.65bn ($3.78bn) subsidies programme to support the National Coal Board for 1986–87, but it will not support losses after that.

If this plan is followed then there would be little time left to run into arguments with the Commission about whether this or that subsidy is justified.

China to allow N-plant visits

BY PATRICK BLUM IN VIENNA

CHINA WILL allow international inspection of some of its nuclear installations, Zhou Ping, Deputy Minister for the Nuclear Industry and head of the Chinese delegation at the annual conference of the International Atomic Energy Agency (IAEA) in Vienna, announced yesterday.

China only has a few research reactors and some nuclear laboratories, but it also has an important nuclear development programme with nuclear power plants in Guangdong and eastern China where there is a high concentration of industry and energy supplies are scarce, Ping said.

He said his Government had decided to "voluntarily offer to place some of its civilian nuclear power installations under IAEA safeguards at an appropriate time," after further consultations with the agency. The decision, he emphasised, was "made in line with China's independent foreign policy. It is not the result of any bilateral negotiations."

The announcement was welcomed with surprise by delegates at the conference. China was the only nuclear weapons state which had not until now allowed such inspections.

Ping said that China was eager for the widest possible international co-operation on the development and use of nuclear power for peaceful purposes and called for greater efforts by the agency in providing technical assistance to developing countries.

That theme was taken up by most speakers from Third World nations who repeatedly criticised the advanced industrialised nuclear states for over-emphasising nuclear safeguards and non-proliferation rather than the transfer of nuclear technology and know-how.

Mr Raja Ramanna, chairman of India's Atomic Energy Commission, warned that India could not accept "so-called non-proliferation measures which actually legitimise the possession of nuclear weapons by some states" while the latter lectured developing countries about their democratic obligations and asked (them) to compromise sovereignty.

Mr Ramanna also called for more regional co-operation through agreements similar to the one between Asian and Pacific countries, established in 1972.

Earlier, Mr Munir Ahmad Khan, chairman of Pakistan's Atomic Energy Commission, reaffirmed his country's commitment to improve relations with India on issues related to nuclear power. The two countries harbour strong suspicions about each other's nuclear programmes, but Mr Khan stressed Pakistan's readiness to enter into negotiations with India on these issues.

Pakistan, he said, had already expressed its willingness to subscribe to the nuclear Non-Proliferation Treaty (NPT) simultaneously with its neighbour, to agree on the reciprocal inspection of each other's nuclear facilities and to sign a formal joint declaration by the heads of both governments disavowing the manufacture, purchase or deployment of nuclear weapons.

"We are prepared to enter into high-level consultations to consider these or any other positive and constructive proposals," he said.

Britain, which faces strong criticism over the dumping of radioactive waste at sea at a meeting this week in London reaffirmed its opposition to further restrictions

French foreign debt rises in first half

By David Marsh in Paris

FRANCE's overall foreign medium and long-term debt rose slightly in the first six months of the year to FFr 532bn ($63.7bn) from FFr 528.5bn at end 1984, according to figures from the Finance Ministry published yesterday.

The country's net debt – subtracting export credits and other public sector loans abroad – fell back slightly, however, to FFr 230bn on June 30 from FFr 236.5bn at the end December last year.

France this summer has continued efforts to use its high level of reserves to pay back early some of its external borrowings built up by the Government in 1982/83. It has repaid part of the $4bn Euromarket credit contracted in 1982 as well as a substantial portion of an Ecu 4bn ($3.28bn) loan from the European Community arranged in 1983.

The Ministry said foreign debt contracted directly by the state fell to FFr 70bn on June 30 from FFr 73bn six months earlier. Overall French monetary reserves of gold and foreign exchange on June 30 were double the net debt total at FFr 467bn.

Mafia-linked MEP to quit

SIG ENZO TORTORA, the former Italian television presenter sentenced last week to 10 years' jail on charges linking him with organised crime in Naples, yesterday announced his intention to resign from the European Parliament, Quentin Peel reports from Brussels.

He was elected last year as part of his campaign to prove his innocence and reform the judicial system in Italy and thereby gained parliamentary immunity.

Sig Tortora said in Brussels that before he submitted his resignation he would continue his campaign

EUROPEAN NEWS

Sweden's external payments deficit mounts rapidly

BY KEVIN DONE IN STOCKHOLM

SWEDEN accumulated a deficit of SKr 12.9bn (£1.1bn) on the current account of the balance of payments in the first seven months of the year, and preliminary indications from the Riksbank, the Swedish central bank, suggest the deficit had reached SKr 14-15bn by the end of August.

The rapid deterioration in the country's external payments position is one of the most pressing problems on the economic agenda in the wake of last week's general election.

The SKr 12.9bn deficit in the seven months to July compares with a surplus of SKr 5bn in the corresponding period last year when the current account emerged from deficit for the first time since 1974.

Even as late as April this year the Government was still forecasting a deficit for 1985 of only SKr 3.1bn.

Sweden's external payments position has worsened this year as imports have risen far more rapidly than exports. The trade balance showed a surplus of only SKr 5.2bn in the first seven months compared with a surplus of SKr 15.6bn in the first seven months of 1984.

Imports have been rising fast because of both higher private consumption and a big jump in industrial investment which has increased the demand for foreign capital goods.

During the election campaign the Social Democratic Government ruled out emergency economic measures during the autumn, but the problems are now beginning to pile up with most forecasts indicating a significant slowdown in the rate of economic growth next year.

Sweden still has one of the highest rates of inflation in Europe, in spite of an improvement in recent months, and there are already worrying signs that next year's wage round will bring an increase in labour costs well in excess of Sweden's main trading rivals.

When they regained office three years ago the Social Democrats' chief recipe for boosting economic activity and improving international competitiveness was a dramatic 16 per cent devaluation, but Mr Kjell-Olof Feldt, the Finance Minister, has repeatedly ruled out another such move.

Florence elects Paris Opera chief as mayor

BY JAMES BUXTON IN ROME

THE municipal council in Florence has elected Sig Massimo Bogianckino, superintendent of the Paris Opera, to be the city's new mayor. Sig Bogianckino announced immediately that he is resigning from his post in Paris.

Sig Bogianckino, who is 63, is a Socialist councillor in Florence. He is not a Florentine by birth—he was born in Rome—but was for seven years until 1982 superintendent of the Teatro Comunale, the Florence opera.

He will preside over a coalition of Socialists, Communists, Liberals and Social Democrats put together on Monday night after four months' wrangling following the local elections in May.

The election of a mayor in Florence means that the process of forming administrations for Italy's leading cities is at last nearing completion. Whereas in Florence the voters in May, in effect, threw out a five-party coalition which included the Christian Democrats, in most major cities there was a swing to the Right.

The consequence has been the departure of the Communist Party from the government of Milan, Turin, Venice, Rome and elsewhere. Rome now has a Christian Democrat mayor, Sig Nicolo Signorello, who has replaced Sig Ugo Veterene, a Communist.

But Milan, Turin and Venice still have Socialist mayors, in the case of the first two cities the same men as before the elections. This is because the Socialist Party adroitly switched alliances in these cities from the Communists to the Christian Democrats.

Sig Bogianckino has given no indication as to why he should prefer the politics of an Italian city to those of one of the world's major opera houses. In his acceptance speech he spoke only of the honour of becoming mayor of Florence.

Andriana Ierodiaconou on the Greek Socialists' call for economic austerity

Chill wind ends Athens' long hot summer

IT HAS been a long, hot summer for the Greek economy. After nearly four years of insisting that recovery could be achieved without pain, Greece's ruling Socialists suddenly issued a Mayday call at the end of August.

Greeks must start producing more and consuming less, or risk mortgaging the country's future to the international banking system.

The alarm was sounded by Dr Andreas Papandreou, the Prime Minister and a former economics professor, in his first major economic policy speech since winning the June 2 general election.

The price of that victory, the Prime Minister pointed out, is that the Socialists must impose an immediate and drastic economic austerity programme on Greece—before an external agency such as the International Monetary Fund (IMF) steps in.

Politically, the Government is well placed for the job. The Socialist Party won 46 per cent of the vote, a remarkably small erosion of only 2 per cent in their electoral strength gained in 1981. The conservative opposition, trounced twice in four years, is in disarray and unable to exploit the Government's unpopular task.

"If the Conservatives had won and tried to apply austerity, there would have been a wholesale revolt and they would have fallen. Only the Socialists can pull this off—that's why their responsibility is enormous," said one Conservative.

The question of whether the Government will rise to the occasion is preoccupying foreign bank risk analysts, now arriving in Athens to assess the situation.

The Government has retired behind closed doors to work out an austerity package in consultation with trade unions and the private sector.

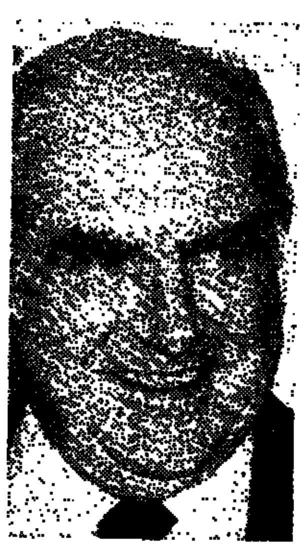
So far, the only taste of things to come has been a series of price increases, including petrol, insurance premiums, transport, school fees, bread and sugar. Measures are expected to begin to be applied next month, culminating in the presentation of the 1986 budget in November.

The most pressing problem is ruinously high current account deficits. This is followed closely by ever-widening public sector deficits, double-digit inflation three times the EEC average, a six-year precipitous decline in private investments, and an industrial sector badly hit by EEC competition since accession in 1981.

The need for an immediate and severe tightening of economic policy to curb high foreign borrowing trends was first noted in a courageous Bank of Greece annual report circulated about a month before the June election. The Government was still resting on the laurels of a real gross domestic product growth of 2.4 per cent in 1984, a modest decline in inflation to an annual rate of 18.5 per cent and a rosier trade balance.

The report stressed that chronic high current account deficits were a blot on Greece's long-term economic prospects. It noted that since the second oil shock of 1979 when Greece's current account deficit doubled, it has ranged between $1.9bn and $2.4bn, or 4.9 per cent and 6.8 per cent of GNP, reflecting a steady slump in vital invisible earnings from shipping, immigrant worker remittances and, to a lesser extent, tourism.

Low quality and poor marketing have not allowed Greek exports to take full advantage of the EEC with the result that, said the Prime Minister: "We are the single instance of a country whose exports cover less than 50 per cent of imports." The gloomy post-1979 picture is completed by a drastic decline in private capital inflows, which Greece relied on until 1979 to cover more than 90 per cent of the current account deficit, to roughly half the deficit in the years since.



Dr Papandreou: drastic and immediate measures

Greece's long- and medium-term foreign borrowing almost trebled between 1978 and the end of 1984, going up from $4.489bn to $12.358bn according to Bank of Greece figures. OECD and BIS figures, which include foreign exchange deposits in Greek banks and military debt, place Greece's external debt at $18.67bn at the end of 1983.

It is estimated that for the last 10 years, 75 per cent of Greece's annual foreign borrowing on average has been going to service the overall foreign debt. In 1984, debt repayments reached $1.845bn or 19.1 per cent of receipts from the export of goods and services, according to the central bank.

Greece's overall public sector deficit has been increasing steadily since 1980 and the net public sector borrowing requirement reached 15.5 per cent of GNP in 1984. "People talk about the U.S. deficit. That's nothing compared with what's going on here," one American banker remarked.

Foreign bankers are sounding a note of caution. "Speculating about whether a country's credit rating might decline is tricky: it could act as a self-fulfilling prophecy. But some banks do appear to have pushed the pause button on Greece, until it becomes clear what stabilisation measures the Government intends to apply," said one banker.

Caution on the part of banks has been reinforced by severely off-target six months balance of payments figures for 1985. According to the central bank, at the end of June the current account deficit had already reached an alarming $1.9bn, virtually equal to the target for the whole year.

Exports and invisible earnings are down, while imports (particularly fuel oil) and debt servicing payments are up. The Government's target of a current account deficit equal to 5 per cent of GNP this year is now considered unrealistic and the deficit is generally expected to be of the order of $2.5bn.

The Government was criticised for unduly optimistic targets, not only regarding the current account but also for public and private gross fixed investment, and consumer price projections, in the staff appraisal appended to the latest IMF report on Greece, issued in April.

The appraisal, which predates the latest balance of payments figures, predicts a current account deficit of at least 6 per cent of GNP this year. It notes that the Government had said that a downward revision of annual growth rates of about 3.5 per cent projected in the 1983-1987 five year plan would have to be revised downward.

The IMF appraisal also plots a series of foreign debt scenarios for Greece. In the most optimistic scenario, which assumes a 3 per cent annual increase in non-debt financing, Greece's interest and amortisation payments are estimated to exceed the $2bn market in 1986 and to rise rapidly thereafter as previous debts expire to about $3bn in 1990.

It is not surprising that there is talk in Athens of the authorities turning to the EEC for help.

The idea would be to resort to Articles 108 and 109 of the Treaty of Rome, which allow for special measures, for example import restrictions, in the case of a balance of payments crisis. There is also the community's balance of payments support fund for lending at low interest.

Greek officials say the EEC rescue scenario "is within the realm of the possible" and refer to the previous examples of France, Italy and Britain.

Economic observers in Athens are also speculating on the possibility of re-scheduling amortisation payments with foreign banks.

Whatever bailing-out scheme the Socialists resort to, they will be required to bite the bullet, taking drastic measures to curb the current account and public sector deficits and to shake the nation out of its inertia and into higher productivity.

Foreign bankers say that what they will be looking for in the Government's expected austerity package is a significant limiting of the system of index linking wages, a slash in public spending, a real depreciation of the drachma, either by an outright devaluation or by continuing the present slide, and realistic incentives to encourage harder work.

They also stress that time is of the essence. "Two months to introduce austerity measures is fine, two years is too long," one banker said.

Dr Papandreou will have to muster all the economic skills at his Government's disposal if the Greek economy's long hot summer is not to give way to many winters of discontent.

Turkey and Libya sign payments accord

TURKEY and Libya signed protocols yesterday on banking and economic cooperation, although a minister involved said they almost failed to agree, Reuter reports from Ankara.

The semi-official Anatolian News Agency quoted Mr Cahit Aral, the Industry Minister, as saying: "We finished our work at the last minute. My heart nearly stopped. Now it is over."

The agency said Mr Yavuz Canevi, Central Bank governor of Turkey and his Libyan counterpart Mr Rajab Misselati agreed to establish special accounts at their institutions to regulate payments between them.

The accord relates to debts to Turkish construction companies working in Libya, said to total $400m, and the unpaid wages of some Turkish workers there.

Mr Aral said: "There is now a mechanism in place to deal with the issue of the payments. If it works there should be no problem in payments to the contractors who are waiting for their money."

Mr Turgat Ozal, the Turkish Prime Minister, told a news conference areas of economic co-operation to be explored included trade, agriculture, irrigation, electricity, petrochemicals and fertilisers.

A new agreement was reached on Turkish purchases of Libyan oil, Mr Ozal said, but gave no details. Falling oil revenues have led Libya to cut drastically its purchases from Turkey.

David Banchard adds: In general Turkish foreign policy is shifting steadily towards closer links with the Arab moderate states and Egypt in particular. Turkey so far has fended off requests from the Libyan leader Col Muammar Gadaffi to be allowed to pay a state visit—a visit which would be highly embarrassing to the country's Nato allies.

Spain seeks Polisario-held fishermen

SPAIN is seeking the prompt return of six fishermen captured by Polisario Front guerrillas of Western Sahara in weekend attacks in which a naval petty officer and a fisherman died off the coast of the disputed territory, Reuter reports from Madrid.

The guerrillas admitted in a statement to Spanish news media yesterday that they mistook the trawler Junquito, which they sank, for a Moroccan vessel and fired at the patrol boat Tagomago that went to its aid.

They called the attacks "an unfortunate incident in a war zone" and said it was difficult to distinguish Spanish vessels from Spanish-made Moroccan navy patrol boats.

The Polisario Front is fighting to establish an independent state in the Western Sahara, a former Spanish colony now administered by Morocco.

Spanish Prime Minister Sr Felipe Gonzalez told reporters yesterday his top priority was the immediate release of the fishermen

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The Strategic Defence Initiative has made a reality of the U.S. Air Force's dream of its own manned space flights, writes Peter Marsh

Military space centre to launch Star Wars shuttles

IN AN isolated Californian valley between the Santa Ynez mountains and the rocky Pacific coast, workmen are putting the finishing touches to a grandiose construction project that for the U.S. Air Force will make a 22-year-old dream come true.

The project is Space Launch Complex-6, known by military officials as Slick-6, which from next March will act as the air force's site for putting people into space.

Space shuttles launched from the centre will play a key part in putting into space experiments as part of President Ronald Reagan's Strategic Defence Initiative ("Star Wars"). It will be controlled in orbit by a new U.S. Space Command, based in Colorado Springs, which was officially activated this week.

Discovery, one of the U.S. Government's space shuttle fleet, is due to make the first flight from Vandenberg complex carrying a team of seven astronauts and a secret Defence Department payload that includes Teal Ruby, a scientific satellite which will test ways to track missiles and other space objects by sensing infra-red radiation.

Slick-6 is part of the 150 square mile Vandenberg air force base 50 miles north of Santa Barbara. It marks for the U.S. military the culmination of an ambition that began in 1963 to have its own manned space programme independent of the National Aeronautics and Space Administration (Nasa), the U.S. civilian space authority.

In that year, the air force announced it would build the Manned Orbiting Laboratory, a space craft based on the two-person Gemini developed by Nasa as part of the drive to put people on the Moon.

The laboratory project was cancelled in 1969, during a round of budget cuts, forcing the air force to rely for its space activities on unmanned satellite launchers such as the Titan and Atlas rockets.

There are some in the U.S. military establishment who wish this policy had remained unchanged. While putting satellites into space with tried and tested expendable rockets is a safe and relatively inexpensive technology, the manned shuttle programme has been plagued by technical difficulties and cost over-runs.

Nasa has had to shoulder the $12bn (£8.45bn) financial burden of building America's fleet of four shuttle vehicles, but the air force will be allowed to use the craft for its own dedicated missions from Vandenberg.

The Californian base also acts as a site for about 10 launches a year of military satellites using expendable rockets and for test shots over the Pacific of ballistic missiles. It was chosen for military shuttle missions mainly because it is in a suitable position for ejecting into the heavens satellites that fly in orbit over the North and South Poles. Such space craft (for surveillance, for instance) account for a large proportion of military satellites.

Another reason is that the remote location of the Vandenberg establishment, which started operations in 1957 on the site of an army training camp, suits the air force's requirements for launching secret payloads.

Nasa sites do not provide the degree of security needed for military missions such as the launching of classified satellites or scientific experiments in orbit involving possible equipment for SDI.

Without Vandenberg, the military would be forced to turn for shuttle launches to Nasa's facilities such as the launch site at the Kennedy Space Centre in Florida (which is anyhow unsuitable for ejecting into space polar satellites) and the mission-control operation at the Johnson Space Centre in Houston.

Both sites are open to the public and do not provide the kind of security needed for military missions, either the launch of classified satellites or scientific experiments in orbit involving new kinds of sensors and other equipment that could be developed during the SDI project.

The air force has found that independence in space does not come cheaply. Slick-6 was supposed to save money by using a launch pad on which work had already started in the 1960s for the cancelled manned orbiting laboratory. But the cost of the venture has soared, from an estimated $800m in 1977 to a final bill likely to be about $2.8bn.

The timetable has also slipped. The first shuttle launch from Vandenberg will be nearly four years later than the scheduled date when the project was planned in the late 1970s.

Most of the money has been spent on three immense structures that are the most visible part of the shuttle launch complex. The tallest, at 270 ft, the height of a 30-storey building, is the mobile service tower, which will be used for final modifications to shuttles as they sit on the pad and to provide services such as liquid fuel and electricity before launch.

The two other buildings are for preparation of payloads such as satellites and for assembly of the components for the complete shuttle vehicle (the manned orbiter that returns to earth, the external fuel tank and the solid rocket boosters) prior to launch.

Apart from the fact that Vandenberg will assemble shuttle components on the launch pad rather than, as in established Nasa practice, at a separate building some miles away, the launch facilities in California are near facsimiles of those at the Kennedy Space Centre.

Operating Slick-6 will cost $400m a year, about half the total bill for running the complete Vandenberg base. The cost includes training crew and refurbishing shuttles for further launches after they have returned to Vandenberg's own runway, which has had to be specially lengthened.

Military missions from the California base will be supervised from a $1bn satellite and shuttle control centre 800 miles away at Falcon air force station in Colorado Springs. The centre comes under the control of the U.S. Space Command, which will eventually co-ordinate U.S. Air Force, Navy and Army activities in space.

The schedule calls for a total of about 10 shuttle launches from Vandenberg until 1990. Thereafter, the base will probably be called on for four shuttle flights a year, although it would be capable of handling 10.

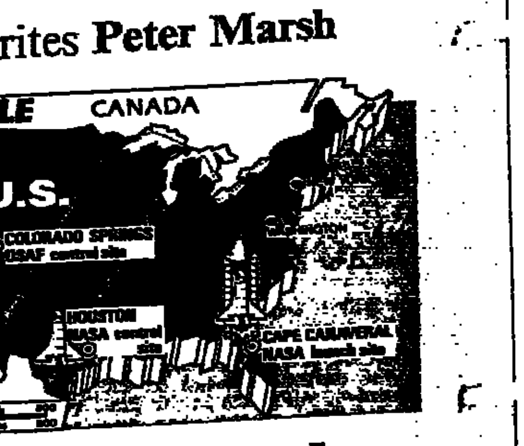
Most, but not all, the launches will be military. Vandenberg will also offer its services to Nasa for civilian shuttle missions that require a polar orbit, such as the launch of weather satellites.

To ensure no one is in doubt over who is running the Californian operation, however, the letters USAF are emblazoned 30 ft high, along with the stars and stripes, on the wall of Slick-6's shuttle assembly building.

Eventually, say shuttle enthusiasts in the air force's space command, the advantages of having people in space to supervise satellite launches or develop new weapon systems will outweight the cost of putting them there.

When Discovery lifts off from the base next year, no one will be prouder than Col Orlando Severo, the commander of the air force's shuttle test group who has worked on the project since 1977.

"It's an immense challenge to fly the first manned space flight programme from the West Coast," he said. "I feel I've got the best job for my rank in the whole of the air force."



Congress research agency casts doubt on value of SDI

THE GOAL of assuring the survival against unconstrained nuclear attack of U.S. cities with an anti-missile system as envisaged in President Ronald Reagan's Strategic Defence Initiative "does not appear feasible," according to a report from the Office of Technology Assessment, a research arm of the U.S. Congress.

The report, published today, is more optimistic about the likelihood of developing in the near future a space-based system to protect U.S. missile silos and other hardened targets.

But the office says it is not clear whether such a set of hardware, coupled with the likely response by the Soviet Union to expand its anti-ballistic missile defence around Moscow to include other cities, would strengthen the cause of deterrence.

According to the Reagan Administration, research conducted during the five-year, $26bn (£18.6bn) defence initiative, more popularly called the Star Wars programme, could pave the way for both the U.S. and Soviet Union to install in the 1990s their own defensive systems to reduce the danger posed by nuclear missiles and eventually make them obsolete.

The systems could employ exotic technologies such as laser guns and orbiting battle stations to shoot down warheads while in flight.

But the report, written by a team of researchers led by Dr Thomas Karas, a senior analyst at the OTA, is guarded about whether the programme could achieve this aim without accompanying arms-control agreements during both the research and deployment phase of an anti-missile defence programme.

"In essence, the question is whether a vigorous U.S. programme to develop ballistic-missile defence . . . will make the Soviets more willing than they have been in the past (or now say they are) to agree to deep reductions of strategic offensive forces," says the report.

Notwithstanding the technical questions over the feasibility of anti-missile defences, the OTA stresses considerable political uncertainties involved in pushing ahead with a vigorous research effort.

"The SDI offers an opportunity substantially to increase our nation's safety if we obtain great technical success and a substantial degree of Soviet co-operation . . . (It) carries a risk that a vigorous ballistic-missile defence research programme could bring on an offensive and defensive arms race, and a further risk that . . . deployment, if it took place without Soviet co-operation, could create serious instabilities."

In an accompanying report on anti-satellite weapons, the OTA research team says that, to counter the threat from Soviet devices of this kind, the U.S. should increase its efforts to produce "survivable" spacecraft. At the same time it should explore ways of reducing the effectiveness of the weapons through arms-control agreements.

"Ballistic Missile Defense Technologies" and "Anti Satellite Weapons, Countermeasures and Arms Control," both available from U.S. Government Printing Office, Washington DC 20402.

Canadian banking staff strike a blow for unionism

BY BERNARD SIMON IN TORONTO

CANADIAN financial institutions are taking an unusually close interest in two protracted labour disputes at the Canadian Imperial Bank of Commerce, the country's third largest banking group.

Since mid-June, 150 members of the fledgling Union of Bank Employees have maintained a strike at CIBC's main Visa credit card processing centre in suburban Toronto with the long term aim of securing a bridgehead for a trade union drive throughout the financial services industry.

The union stepped up its version of guerrilla warfare last week when 60 workers in CIBC's central mailroom walked off the job. While their colleagues at the Visa centre try to disrupt the merchant authorisation system by jamming its switchboard with up to 30,000 calls a day, the mailroom workers have mounted pickets outside the parking garage of CIBC's office in downtown Toronto, hoping to disrupt deliveries and inconvenience other tenants in the 57-storey tower block.

The immediate issue at stake in both strikes is wages. CIBC last granted a general wage increase to its 32,600 employees in 1982.

The bank went through a rough patch in the early 1980s when concern grew at its heavy exposure to such troubled companies as Massey-Ferguson and Dome Petroleum. But it has staged a spirited recovery in the past 18 months.

CIBC has assets of C$74bn (£47.7bn) earnings have risen by 34 per cent in the past year to C$260m in the nine months to July 31.

The underlying issue in the two disputes is much wider than pay. Canada's banking industry is among the few sectors of the economy where trade unions have failed to secure a foothold. Only about 60 of 7,500 bank branches are unionised.

The Union of Bank Employees expects that if it wins at CIBC, it will greatly enhance its chance of acceptance in other parts of Canada's financial services industry.

For that reason, CIBC and other employers are anxious to nip the union movement in the bud. Salaries made up 12 per cent of the banks' total costs, including interest expenses, in 1984, and employment conditions are roughly the same at all the major institutions.

The two strikes at CIBC mark an important change of tactics for the union. Instead of concentrating its organising efforts on relatively small, far flung branches, the UBE has decided to target what one organiser calls the "bank factories," the large centralised departments where a work stoppage can seriously disrupt a bank's overall operations.

According to the union official, "there's a different kind of employee" in the centralised departments. "They are much more militant and much more aware of what their needs are."

The lack of enthusiasm for collective bargaining in the branches is illustrated by the withdrawal of 78 bargaining units from union affiliation since January 1980.

The UBE's most recent recruits are in CIBC's mortgage department, where a majority of workers has signed up as members and requested recognition as a bargaining unit.

Neither the union nor CIBC shows any sign yet of backing down. Thanks to financial support from Canada's main labour federation, the Canadian Labour Congress, the UBE is providing unusually generous strike pay of C$300 a week to the Visa and mailroom strikers.

It has also enlisted the support of the country's most charismatic trade unionist, Mr Bob White, head of the United Auto Workers' Union. Mr White has appeared on the picket lines, and the UAW has seconded a seasoned negotiator to the bank union.

CIBC says all its planning is on the basis that it is going to continue business as usual.

Students were hired to help run Visa operations during the summer. Some work has been contracted out. The bank has raised the limit for authorisation of some credit card purchases. Employees have been moved from other parts of the bank to the mailroom, and internal mail is being delivered to fewer points in the bank.

The union refuses to reopen bargaining talks until the bank substantially improves its terms for a contract. But CIBC insists that it will not make a better offer to union members than to the rest of its workforce.

A bank official describes the impasse as a "classic standoff." The last strike at CIBC, involving a branch in Quebec, lasted 17 months. In that case, the union capitulated, but it did not have access to the resources then which it apparently has gained.

U.S. footwear and textile protectionists unite to fight Reagan

BY NANCY DUNNE IN WASHINGTON

PRESIDENT Ronald Reagan's trade initiatives have given birth to a new coalition in Congress, where proponents of textile and footwear protection have joined forces to overcome an anticipated presidential veto.

With the support of Senator Robert Dole, the majority leader, Senator Strom Thurmond, a South Carolina Republican, has introduced a Textile-Footwear Bill with provisions on textiles considerably weakened from the original proposal in order to get wider acceptance. The number of countries targeted for large import reductions has been reduced from 12 to three – South Korea, Hong Kong and Taiwan. The three would face a maximum import cut of 30 per cent.

All other textile importing countries, with the exception of the EEC and Canada, would be limited to 1984 levels plus a 1 per cent increase per year.

The proposed legislation gives U.S. footwear eight years of protection, three more than recommended by the U.S. International Trade Comission (ITC). It would hold imports to a market share of 60 per cent and cap the number of shoes costing less than $2.50 at 10 per cent of the total foreign market penetration.

The original textile legislation had 55 co-sponsors in the Senate and 290 in the House – more than enough for passage but short of the two thirds needed to override a veto. Backers hope that support from footwear forces will be sufficient to tip the balance.

"The numbers look good," said a spokesman for the Footwear Industries of America, which failed to get relief last month from the President despite a recommendation for quotas from the ITC.

He said that the President's trade initiatives had failed to deal with the issue of jobs, and legislators were not convinced that the President would carry his proposals through to the end. "People on the hill are mad," he said.

Four Republican senators have reportedly written to Senator Dole to warn that they will filibuster an attempt to attach the Bill to legislation under consideration this week. Sixty votes are needed to end a filibuster, and such a vote would give a clear indication of the new measure's strength.

American business reacted favourably yesterday to the President's trade proposals but warned that it would take 12 to 24 months before the full impact was felt on the trade deficit.

The National Association of Manufacturers issued a statement welcoming the introduction of mixed credits

Manley renews call for early general election

BY CANUTE JAMES IN KINGSTON

ENCOURAGED BY public opinion polls which have shown his People's National Party enjoying a significant advantage in poular support, Mr Michael Manley has renewed a call to Mr Edward Seaga, the Prime Minister, to hold an early election.

Mr Manley, a former Prime Minister, who recently returned to active politics after eight months recuperating from operations for a stomach disorder, said that if re-elected, his social democratic administration would seek different agreements with the International Monetary Fund.

Mr Manley was Prime Minister between 1972 and 1980, when the PNP suffered a landsilde defeat by Mr Seagas, conservative abour Party. The PNP refused to contest a snap election called by Mr Seaga in December, 1983, claiming the Prime Minister has reneged on an undertaking to delay all elections unti la new register of voters was compiled.

The Labour Party has all 60 seats in the lower house. Mr Seaga has repeatedly rejected requests for an early election, saying he intends to serve a full fiv-year term.

The polls indicate that in a general election, the PNP would receive 45 per cent ofthe votes, and the Labour Party 25 per cent.

Mr Manley's return to active duty has heightened political interest in a country in which political affiliation can be a matter of life and death. The police estimated that of the 800 people killed violently in 1980, about 600 were the victims of party political violence associated with that year's election campaign.

Mr Manley unveiled what he said was an "alternative" to Mr Seaga's monetarist policies in an address to the PNP's annual conference.

His statement of seeking better terms from the IMF coincided with an attack by Mr Seaga on the institution. The Prime Minister said he would be protesting the fund's "rigid loan conditons" at next months IMF and World Bank meeting in South Korea.

Mr Manley told the conference that if returned to office, he would fix the parity of the Jamaican dollar which has been devalued repeatedly over the fallen 80 per cent against the U.S. dollar. Mr Seaga has rejected requests for a fixed exchange rate.

The former Prime Minister also promised improved links with countries in Western Europe, and witht he U.S.

Developing countries' burden 'not unfair'

ALTHOUGH action by industrial countries is needed to improve their economic performance, the principle responsibility for ensuring that developing countries also strengthen their economies lies with the developing countries themselves, the Fund says in its annual report.

The report, which is a negotiated document reflecting the views of the Fund's members, firmly rejects the arguments of those developing countries who maintain that they are being required to bear an unfair burden of adjusting to the world's economic problem.

The report makes it plain that the IMF believes that continued economic adjustment is needed in many developing countries as a foundation for sustained growth.

"Recent improvements in their (developing countries) external position can best be consolidated through prudent demand management and exchange rate policies, together with structural reforms aimed at improving the prices and other incentives for investment and production in the traded goods sector," the report says. It adds: "Particularly worrisome in this context is the surge in inflation in a number of developing countries."

The IMF maintains that what are widely seen in the developing world as the economic austerity programmes it has insisted upon in return for IMF loans have proved effective. Discussing the performance of the developing countries, it says that the economic recovery last year was export led, but that developing countries also achieved an increase in their market shares of exports.

"Thus a significant fraction of the growth of exports can be ascribed to adjustment measures including exchange rate changes taken by developing countries themselves over the past several years." It says that "the recovery set in train by exports spread gradually to the domestic economy."

But it notes that in historical terms the developing world's recovery was sluggish, that it was unevenly distributed and that it was so slow in some areas that per capita income in 1984 "was some 20 per cent below what it had been in 1980."

Discussing policy issues it says that "generally speaking (developing) countries whose authorities reacted early and firmly to the weakening in their external position in 1980-82 were in a better position to take advantage of the upswing in world markets that began in 1983."

These were mainly Asian countries. In other developing countries the Fund expresses concern that the longer term outlook is more worrisome because "external adjustment has too often been associated with reduced investment and unchanged rates of domestic savings." It maintains that given the countries' heavy debt burdens, fiscal stimulus now would not be an effective way of stimulating growth.

Instead, it says, budgetry restraint is needed to raise domestic share of savings, but it warns that in many countries achievement of improved growth "has been seriously comprised by their inability to control inflation." The countries affected by high inflation "simply cannot afford the resulting misallocation and waste of resources."

So far as the industrial countries are concerned the IMF again calls for action to cut the U.S. budget deficit saying it would make a crucial contribution to sustaining the U.S. expansion. It makes it clear too that it believes that Japan has relied too much on export demand and that domestic demand is undesirably weak.

It reserves its strongest plea however for the fight against protectionism, saying that the industrial countries "have a special responsibility to lead the way to trade liberalisation." The rebuilding of confidence in the preservation of an open trading system will depend crucially on steps taken by individual countries, especially the major industrial countries, to honour their commitments to spurn now protectionist measures and roll back existing barriers.

ANNUAL REPORT STRESSES NEED FOR INTERNATIONALLY COMPATIBLE POLICIES

IMF urges greater economic co-ordination

Reports by Stewart Fleming, U.S. Economics Correspondent, in Washington

THE International Monetary Fund yesterday called for greater international co-ordination in economic policy making. It said in its annual report that "any serious attempt to achieve greater exchange rate stability has to rest on the implementation of more appropriate and internationally compatible economic polices."

The report says such coordination is vital because continuing liberalisation of capital markets accompanied by inappropriate economic policies may result in large exchange rate changes. These stimulate protectionist demands.

"*Ultimately an open multilateral* trading system remains the most important requirement for a gradual improvement of the international economic situation," it says.

The IMF's judgments follow the announcement by the finance ministers of the Group of Five major industrial countries last weekend of efforts to improve the co-ordination of their economic policies.

The IMF annual report is cautious in its assessment of the effectiveness of intervention in the foreign exchange markets as an instrument for reducing volatility in exchange rates. "A durable influence over exchange rates can result only from the use of policy tools that change underlying macro economic conditions," it says.

The fund says "sterilised intervention (intervention transactions that are not allowed to affect the money supply) seem to have some effect in calming disorderly markets." It cites the concerted intervention by a number of major industrial countries in February this year as an example of a successful move to damp or stop speculative exchange rate movements.

While warning that the European Monetary System could not easily be reproduced elsewhere, it maintains that the *EMS has "been largely success*ful in stabilising exchange rates (and) there is little doubt that the commitment of the authorities in defence of central rates and the agreed intervention mechanisms have contributed to the success of the system."

The fund stresses, however, that this success has "largely been achieved through a convergence of (the EMS members') domestic policies and performance." It argues that merely attempting to restrict capital flows in an effort to achieve greater exchange rate stability is unrealistic.

Recent exchange rate trends have "given rise to substantial concern about strains on the international monetary system." The fund says the growing importance of international capital movements has continued to dominate developments in the exchange markets.

Rapid changes in asset *preferences* and, *therefore*, exchange rates worked to "increase rather than diminish" trade imbalances. "Movements in competitiveness were often in directions opposite to those needed to re-establish a stable pattern of current account positions amongst the major industrial countries."

The fund argues that divergent fiscal policies in the industrial nations, coupled with a policy based on control of the monetary aggregates in the U.S. contributed to the exchange rate movements of last year.

"Contrary to expectations floating exchange rates . . . have not in practice granted (governments) an extra degree of autonomy to pursue their own policy objectives. Instead the experience of the industrial countries over the past decade has emphasised their interdependence."

The fund concludes that in the face of exchange rate volatility "it is important (for governments) to reduce uncertainty as much as possible by avoiding sudden shifts in announced policy measures and in the implementation of these policies."

Arrears force accounts change

The International Monetary Fund is changing its accounting practices for the first time because of the rising burden of arrears on its loans from countries in financial difficulties.

The fund also says that this problem and the accounting change explain the fact, for the the first time since 1976-77, it suffered a loss—of SDR 30m—in its financial year ended April 30 1985.

The increased arrears had led to the establishment of new policies under which two countries, Vietnam and Guyana, were declared ineligible to use the fund's general resources.

In a step which will be seen as designed to step up the pressure on countries not to fall into arrears the IMF is now issuing a press release upon declaration of a member's ineligibility.

The IMF noted a "marked decline" in financial activity in the financial year ending April 30, 1985.

Gross purchases declined from peak levels of about SDR 10bn in 1982-83 and 1983-1984 to about SDR 6bn last year.

The number of commitments for new lending fell from SDR 19bn to SDR 12bn.

Standby and extended arrangements in effect at the end of the financial year fell in *number to 30 from 35 in 1983-1984*.

According to the fund, the slowdown "Reflected the recovery in world economic activity, coupled with the success of adjustment policies, and the consequent improvement in the external positions of many member countries."

De Larosiere: IMF managing director

Further allocation of SDRs 'backed by most directors'

MOST executive directors of the International Monetary Fund believe that there is a strong case for resuming allocations of special drawing rights, the currency reserves which the fund can create, the report says.

But in an oblique reference to countries including the U.S., it adds that some directors, who hold a substantial share of total voting power, disagree.

Heavily indebted developing countries have been increasing their pressure for another SDR allocation and the fund says that "the adequacy of reserves for countries without access to international financial markets requires further consideration.

"Stocks of reserves deemed optimal for these countries is probably greater than that of countries with access to international credit markets."

The cost of acquiring and holding reserves is related to the necessity of generating net exports of goods and services, or of acquiring additional credits from official or multi-lateral sources, the fund points out.

The adjustments in domestic income growth and production required to generate payments surpluses imply "that the cost of reserve accumulation for *countries* without access to international capital markets is much higher than for countries with such access."

The fund adds: "For this reason the supply of reserves generated by international agreements," such as those relating to SDR allocations, takes on special importance."

Hong Kong land sale indicates concord

By David Dodwell in Hong Kong

THE HONG KONG Government yesterday held its first land auction since the establishment in May this year of the Sino-British Land Commission.

The auction, which involved six comparatively small plots of land, gave no real indication of property price trends, but gave a signal of substantial progress between British and Chinese officials working on land issues ahead of the transfer of sovereignty over Hong Kong into Chinese hands in 1997.

Evidence of progress on the land issue – one of the most contentious during the three years of secret negotiations in Peking on Hong Kong's future – is in contrast with continuing suspicion between Chinese and British officials in other areas.

For example, recent discussions on air traffic rights between Hong Kong and China have so far failed to rectify a huge imbalance in China's favour.

The Sino-British Land Commission was one of several bodies set up as a result of the Sino-British agreement intended to tackle practical problems arising out of the transfer of sovereignty.

Until recently, British Crown leases determined the rights of most Hong Kong property owners. Leases on Hong Kong island or in Kowloon – which were supposed to be held "in perpetuity" by Britain – could be as long as 999 years, while all leases in the New Territories expire in 1997, when Britain's colonial lease expires.

Under the Sino-British agreement, China agreed to honour existing property rights. Leases in the New Territories can now extend to the year 2047.

In the past, the Hong Kong Government's programme of land auctions was an important source of income. With the collapse of the property market in 1982 this has become less significant, but an average of about 50 hectares is auctioned every year.

This year's programme has been disrupted by the setting up of the land commission, whose first task was to define new ground rules for future sales. If disagreements had emerged, yesterday's auction could not have gone ahead.

Rabbis extend their influence into all sectors of life

BY WALTER ELLIS IN TEL AVIV

JUDAISM'S month of religious holidays, culminating today in Yom Kippur, the Day of Atonement, comes this year at a time when the rabbinical influence over daily life and politics in Israel is more powerful, and more controversial, than ever before.

In Beersheba, capital of the Negev desert region, the local Rabbinical court decided last week that a man was entitled to divorce his wife and remarry on the sole grounds that she had borne him three daughters but no sons.

The case came before public scrutiny because the wife had had the temerity to object. The Rabbis concluded that, by virtue of her protest, she was a "rebellious" wife and gave their consent to the divorce.

Since there is no civil marriage, or divorce, in Israel and ancient Halachic law decides such matters, that was an end to it. Progressive women are outraged, but the wife never had a chance.

In Jerusalem, meanwhile, representatives of Israel's 12,500 Ethiopian Jews marched to the Wailing Wall on Monday to protest about a ruling by the Rabbinical high court that they must undergo ritual immersion and reaffirm their faith before they can be permitted to marry.

After nearly a year in absorbtion centres in Israel, the Ethiopians are still seeking what, paradoxically, had brought about their dramatic rescue from Ethiopia in the first place: recognition of their status as Jews.

Once again, many ordinary Israelis, including some leading Rabbis, are appalled. But the religious establishment is standing firm.

El Al, Israel's state-owned airline, announced this month that the main reason for its deficit in the 1984-85 financial year was the Rabbis' insistence that it should not fly in or out of Israel on the sabbath. "We are the only five-and-a-half-day airline in the world," a top official complained.

In the Israeli parliament, the Knesset, the ultra-religious parties, backed by several Likud MPs, are pressing for a ban on the production and sale of pig-meat (white steak to secular Jews).

"Kosher patrols" are on the streets in areas where local bye-laws already prohibit the eating of pork, and officials with tongs remove the offending meat and dish out fines instead.

There have also been calls for legislation that would ban traffic and non-essential work on the sabbath, and once again devout local councils are showing how it can be done.

Mr Uri Amit, mayor of the town of Ramat Gan, has banned league soccer from being played at the municipal stadium on the sabbath. Religious extremists vowed that if any games went ahead they would find ways to get even with the sports lobby.

The Labour Party, in a bid to improve its electoral fortunes, has opened negotiations with religious parties, normally the preserve of the right. Mr Shimon Peres, the Labour Premier, is currently taking instruction in the Tora and the Talmud from an assigned Rabbi.

Orthodox Jews argue, of course, that Israel is intended to be the Jewish state, founded to preserve Jewish values in a hostile world.

Non-religious Israelis respect the practices of observant Jews: increasingly they are concerned that this respect is not returned. In a society already deeply divided over its relations with the world outside, the internal struggle over Jewish fundamentalism could yet prove decisive at the polls.

Gun battles in Tripoli

RIVAL MOSLEM militias fought pitched gun battles in central Tripoli yesterday, sabotaging a Syrian-brokered ceasefire, AP reports from Tripoli. Police said 10 people were killed and more than 15 wounded.

The fighting raged for the tenth day in succession along the boulevard that cuts through Lebanon's second largest city, only hours after senior Syrian army officers proclaimed a ceasefire. They said the commands of the warring militias had agreed to surrender their heavy arms.

Syrian-backed Arabian Knights militiamen were fighting pro-Palestinian fighters of the Tawheed Islami (Islamic Unification) movement 16 hours after the proclamation of the truce.

Walter Ellis examines the lengthy dispute between Egypt and Israel over Taba

Political land mines litter a tiny beach

LAND IS politics in Israel. The existence of the state is so inextricably linked to the ownership of title, as well as to the Zionist concept of Eretz Yisrael that any moves which might result in a surrender of even a few yards of the nation "given by God to the Jews" is considered proof of treason.

Sinai escaped this logic. It was never considered an integral part of Israel. Taba, a strip of land along the Egyptian side of the Gulf of Aqaba and close to the Israeli resort of Eilat, is different.

First seized by the Israelis in the course of the Six Day War in 1967, Taba is believed by religious and other traditionalist Jews to be part of the promised land.

Egypt, not surprisingly, does not share this view and Taba is a main source of dispute between Cairo and Jerusalem and the cause of bitter acrimony within the Israeli Cabinet.

So serious has the infighting in Jerusalem become that Taba has even been suggested as a likely source of the long-predicted collapse of the "unity" Government.

President Hosni Mubarak of Egypt is demanding that Taba be restored to its "proper" place as a constituent part of Sinai. The right-wing Likud bloc in the Israeli Government is determined to hold on to it. It is seen by Jerusalem as the thin end of the wedge which could be presented as a precedent for negotiations on the West Bank and Gaza. The Labour bloc is caught in the middle, unsure which way to turn.

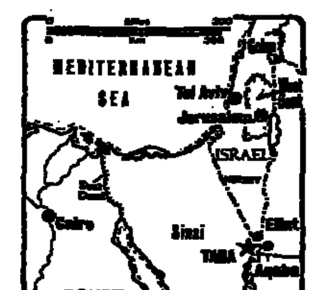
Mr Mubarak wants the issue decided by international arbitration, and Mr Shiman Peres, the Israeli Prime Minister, and his Labour colleagues have already accepted the principle. However, the Likud bloc, led by Mr Yitzhak Shamir, the Foreign Minister, is implacably opposed.

A delegation of senior Israeli officials will arive in Cairo tomorrow to hammer out the compromise deal. The Likud is outraged; Mr Shamir has insisted that the officials be given fresh instructions ruling out arbitration.

Mr Shamir, who is scheduled to become Prime Minister in 1986 in keeping with the rotation agreement after last year's inconclusive general election, is only prepared to accept conciliation: a purely bilateral manoeuvre which would not be binding on Israel. He has denounced a compromise formula worked out between Mr Mubarak and Mr Peres that would begin with conciliation but move on to arbitration in the event of an impasse.

Labour, said Mr Shamir, was trying to "deceive the people" and had provided Israel's enemies with "a tremendous propaganda weapon."

Ironically, there is little about Taba that is inherently



valuable. It is a mere 750 yards long, and considerably narrower. Under Israeli occupation, it houses little more than a luxury hotel complex and a topless beach: hardly the stuff of confrontation.

Its true significance goes back to the Ottoman domination of the region and the subsequent changes under the British mandate in Palestine. The historical arguments are complex. They cover the precise imperial divisions under Turkish rule, the borders of Sinai and Palestine, as established by the British, and even the right of Egypt to hold sway over Sinai at all.

Put simply, Egypt insists that Taba should have been returned to its jurisdiction along with the rest of Sinai following the 1978 Camp David accords. The agreements signed then made Taba subject to future discussions, but Israel has tended to argue that it is merely holding on to something that was its by right.

Unless the Israeli Government can come up with an agreed stance on Taba that would allow some form of negotiations to begin, the coalition may find that it cannot continue. New elections would have to be held, with Mr Shamir no doubt arguing that Labour had broken its solemn pledge on rotation.

The implications of an impasse would be even more serious for relations with Egypt. Mr Mubarak, it is clear, sees the resolution of the Taba question as a matter of national honour.

The Peres wing of the Labour Party is well aware of the delicacy of the situation. Israel gave the Sinai to the late Anwar Sadat: to Mr Mubarak they will not even yield a strip of beach. This is the accusation that is said to rankle with Egypt's President.

The so-called process of "normalisation" between the two former enemies has already proved difficult enough without Taba. Israel claims that it has made most of the running up to now, despatching armies of tourists, businessmen and traders, while the Egyptians drag their heels.

Israel points, for example, to the startling imbalance of trade. In the six years to June this year, Israel had purchased more than $3bn worth of Egyptian oil while in return Egypt had bought goods and services from Israel worth only $200m.

However, it was the Israelis, under the terms of Camp David, who insisted on the oil sales, and it is the Israelis who gain most politically from the exercise.

Egypt got much of what it wanted when it regained the Sinai (although it continues to be frustrated by the lack of progress on the occupied territories). What Jerusalem now expects is "normal" relations between neighbouring states regardless of the fact that, for Egypt, this must mean a further intensifying of the charge of fraternising with the enemy. Egypt knows the risks and is still seeking a political return on its investments.

The virtual freezing of relations between the two which followed the 1982 invasion of Lebanon showed all too clearly how delicate the process is and how susceptible it is to Israel's actions elsewhere in the Middle East.

Egypt does not wish to be seen to be too close to the Israelis, and in Jerusalem there is still residual distrust of Cairo's long-term aims. Embassies, cultural centres and air services are one thing: talks about the land are another.

Lagos 'remains committed to industrial projects'

MAJOR-GENERAL Ibrahim Babangida, the Nigerian leader, who seized power in last month's coup, promised yesterday far-reaching economic measures but said his Government was committed to going ahead with a series of costly industrial development projects started under previous administrations, Reuter reports from Lagos.

He told an economic seminar the time had come to take measures, some of which would be painful, to put Nigeria back on a path to economic growth.

But the Government was giving top priority to key industrial projects, some of which have been under construction for years, and subject to major delays and cost overruns.

These included paper mills, fertiliser plants, a machine tool factory, large petrochemical, steel and liquefied natural gas projects and an oil refinery.

Gen Babangida also promised to remove bureaucracy which stood in the way of foreign investors wanting to set up ventures in Nigeria.

"Urgent efforts will be made to streamline procedures, eliminate bottlenecks and introduce workable incentives."

"What we need to do now is to create the right conditions that will attract badly-needed foreign capital to supplement our local resources."

"He pledged recently to break the two-and-a-half year deadlock in negotiations with the International Monetary Fund which could pave the way for an inflow of fresh funds to Nigeria.

PLO members invited by UK get death threat

By Our Middle East Staff

THE EXTREMIST Palestinian faction headed by Sabri al-Banna, otherwise known as Abu Nidal, threatened yesterday to assassinate two members of the Palestine Liberation Organisation if they accepted an invitation by the British Government to visit London.

The invitation was issued last week in Jordan by Mrs Margaret Thatcher, the Prime Minister. She has asked Mr Mohammed Milhem and Bishop Elia Khouri, both members of the PLO executive committee, to come to Britain as members of a joint Jordanian-Palestinian delegation.

Singapore plans to make wage system more flexible

THE Singapore Government has proposed a national wage scheme to bring down high labour costs, which includes scrapping minimum pay increases, Reuter reports

Brigadier Lee Hsien Loong, Minister of State, told a televised university seminar the scheme would make the present wage system more flexible.

"The problem is . . . employees tend to be paid a fixed wage regardless of whether their company is doing well or poorly," said Brig Lee, the eldest son of Prime Minister Lee Kuan Yew.

The National Wages Council, a body representing the government, employers and unions set up 13 years ago, will no longer recommend overall wage guidelines, Brig Lee said.

He also called for regular reviews of wage agreements linking incentive payments to productivity and an end to automatic pay increases based on seniority.

Government and business leaders have said high wage costs are a major cause of Singapore's current economic troubles.

In future, the NWC should "oversee" the wage system, foster good industrial relations, and annually "reach a consensus view of the state of the economy" to help influence unions—and employers—expectations before they engage in wage negotiations.

Prem brings new party into cabinet

By Boonsong K'Thana in Bangkok

GENERAL Prem Tinsulanonda of Thailand has appointed three cabinet members to fill industry ministry posts left vacant by the resignation of three former ministers whose party leader was implicated in the abortive coup on September 9.

Deputy Industry Minister Chirayu Isharangkura Na Ayutthaya, 43, succeeds Mr Ob Vasuratna as Industry Minister.

Mr Mechai Viravaidya, 45, Thailand's family planning chief, and Mr Anant Chaisaeng, a Progressive Party member of parliament, become deputy ministers replacing Mr Prayote Nuangchamnong and Mr Phol Wongnikorn.

Mr Ob and his two deputies are members of the National Democratic Party whose leader ex-Prime Minister Gen Kriangsak Chomanon is charged of inciting a rebellion on September 9.

Gen Prem has replaced the NDP with Progressive Party, in the coalition, a small party which commands only three seats in the house of representatives.

Gen Prem left yesterday for a two-week visit to the U.S. and Western Europe aimed at boosting confidence in his Government after the abortive coup.

He will meet U.S. leaders, including Secretary of States George Shultz, and address the U.N. General Assembly.

He will go on to Europe for talks with Prime Minister Margaret Thatcher of Britain, President Francois Mitterrand of France and Chancellor Helmut Kohl of West Germany before returning home on October 10.

Punjab forces step up poll security

SIKH SEPARATISTS sent death threats and a lunch-box bomb exploded in a Punjab police station yesterday on the eve of elections in the northern Indian state, Reuter reports from Amristar.

Meanwhile, security forces rounded up about 300 people in a security crackdown to prevent violence during the poll to elect a state administration to replace two-year-old direct rule by the central Government in New Delhi.

As India's biggest peacetime security gathering of 150,000 police and paramilitary forces switched their attention from protecting candidates to guarding polling booths, Amritsar Police Chief I. J. Sidhu said: "There are apprehensions about violence and there may be shootouts, but we are ready for any eventuality."

The bomb, which exploded as it was being defused, caused no injuries.

Police defeat Tamil attack

SRI LANKAN security forces have repulsed a six-hour rocket and mortar attack on a northern police station by Tamil separatists, national security officials told Reuter in Colombo. They said three guerrillas were killed and 20 soldiers and police wounded.

The attack came only a few hours after the announcement that Mr Romesh Bhandari, the Indian Foreign Secretary, would visit Colombo for talks to try to resolve the conflict between Sri Lanka's Sinhalese and minority Tamils.

Phosphate exports boost Tunisian trade figures

BY FRANCIS GHILES

TUNISIA's trade deficit has been cut by 11.9 per cent to Dinars 355.3m (£324m) in the first five months of the year. This decline was helped by a large increase in the exports of phosphate rock and textiles and came despite a surge in the value of imported crude oil and foodstuffs.

Imports of capital goods declined and is expected to continue doing so in the wake of austerity measures being introduced

The record cereal harvest this year should further help in cutting the trade deficit. The total harvest of barley, wheat and maize rose by 86 per cent, to 1.9m tonnes compared with last year, which should cut imports by about Dinars 33m. Overall, Tunisian exports in the first five months were worth Dinars 614.3m, up by 12.1 per cent, while imports increased by 2.2 per cent to Dinars 969.6m.

During the past few months a number of prices have been increased, notably that of red meat, in order to contain the cost of subsidising basic foodstuffs. Since January of last year basic wages have been held steady.

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co.	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	■ J. Henry Schroder Wagg	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	11½%	Williams & Glyn's	11½%
The Cyprus Popular Bk.	11½%	Yorkshire Bank	11½%
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	13 %		
First Nat. Sec. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

WORLD TRADE NEWS

W. Germans to seek more Airbus orders in visit to Peking

BY DAVID MARSH

A DELEGATION of West German businessmen due to visit China next month will be exploring the possibility of making further European Airbus sales to Peking, following up orders for three wide-body airliners clinched earlier this year.

The delegation, grouping industrialists and economists mainly from the German state of Bavaria, will be led by Herr Franz-Josef Strauss, Prime Minister of Bavaria and chairman of the Airbus Industrie supervisory board.

It will also include Dr Hanns-Arndt Vogels, chairman of Messerschmitt-Boelkow-*Blohm, the German shareholder* in Airbus Industrie, as well as Herr Johann Schaeffler, *the former MBB executive who* has now become the Airbus managing director.

Airbus is hoping that China will eventually order more A-310 wide-body aircraft after *the initial batch of three sold* in April.

The prospects for sales to China of the narrow-body *A-320* aircraft launched as a formal programme last year and due to fly in 1988 will also be discussed.

The delegation includes representatives of other industries apart from aerospace. Although the question of long-term aircraft co-operation between West Germany and China is likely to be high on the agenda, Airbus for the moment is not thinking of any concrete proposals for co-production arrangements with the Chinese.

The idea of China building parts of the A-320—possibly simple elements such as doors to start with—was already broached in preliminary discussions between Airbus Industrie and the Chinese last year.

Possibilities for work-sharing would nonetheless depend on overall capabilities of the Chinese aircraft industry.

Germany intends to offer, above all, technical support and training programmes to help China build up its aircraft expertise.

A representative of Deutsche Lufthansa, the West German national flag carrier, will take part in next month's trip to discuss co-operation with *Chinese airlines.*

China's aerospace industry in the past has already co-operated in assembly projects with McDonnell-Douglas and British Aerospace.

Technip in $100m Egypt deal

TECHNIP, THE French engineering group, has signed a contract with the Egyptian company for Flat Glass to build a 100,000-tonne-a-year flat glass plant to supply the Egyptian building and automobile industries, **Reuter reports from Paris.**

The contract, worth $100m (£71.5m), formalises a letter of intent signed between the Egyp*tians and Technip and Saint-*Gobain Vitrage, a subsidiary of State-owned Cie de Saint-Gobain, in January.

FT reporters look at worldwide trade and economic reaction to President Reagan's latest speech

Bonn 'can weather fall in $ with ease'

By Peter Bruce in Bonn

WEST GERMANY'S strong trade and current account surpluses would enable the country to weather a fall in the value of the U.S. *dollar* with relative ease, Herr Martin Bangemann, Economics Minister, said in Bonn yesterday.

In a report produced in the wake of the decision taken at the weekend by major Western finance ministers in New York

Mr Malcolm Boldrige, U.S. Commerce Secretary, said yesterday the U.S. *probably did* not plan huge intervention in currency markets to reduce *the dollar's value,* Reuter reports.

Mr Baldrige said he believed the dollar's value needed to be reduced a further 20 per cent to allow U.S. exporters to compete overseas.

to work towards reducing the strength of the U.S. currency, *Herr Bangemann sought to calm* fears of a collapse of West German exports.

He said an orderly fall in the value of the dollar might do some damage to exports to the U.S. but that prices of imports of important raw materials, priced in dollars, to West Germany, would also fall.

Herr Bangemann's report coincided with publication yesterday of a particularly optimistic forecast on exports by the IFO economic institute in Munich.

West Germany's trade surplus would probably reach a record DM 75bn (£19.2bn) this year it said.

Japan blows hot and cold on policy moves

BY JUREK MARTIN IN TOKYO

JAPAN yesterday generally welcomed the broad policy *implications both of the group* of five meeting and of President Ronald Reagan's *address on trade.*

But concern was expressed about Japan's ability to meet *accelerated U.S. pressure for* further market opening measures in sensitive sectors.

Equally, there were doubts whether the President's speech would necessarily succeed in *stemming the protectionist tide* in Congress.

Speaking for the financial *community, Mr Yusuke Kashi*wagi, president of the Bank of Tokyo and a former senior *Ministry of Finance official, saw* a substantial and gratifying shift in U.S. attitudes.

This he attributed to the pragmatic influence of Mr James Baker, the Treasury Secretary, and possibly *Mr Paul Volcker,* chairman of the Federal Reserve Board.

He contrasted previous Administration statements, *which had equated* a strong dollar with national economic virility, with the new recogni*tion that an overvalued dollar* was at the root of global trading imbalances.

The commitment to intervene on the foreign exchange markets was particularly important.

The dollar was traded in record volume in Tokyo yesterday, finally closing at Y230.10, *down 11.90 compared with Fri*day (Monday was a holiday here).

It had opened at Y229.70, sunk to as low as 228.20 and then rose to232.60 during a day *when trading was worth $4.73bn* (£3.6bn).

Mr Kashiwagi suggested that the *dollar would experience a* long-term decline, though he would not predict how far it might *fall against* the yen. He doubted that Japanese monetary policy, already very loose, would require adjustment.

On the fiscal side, similarly, *officials* discounted *major* initiatives in Japanese policies.

It has been apparent for some weeks now that an income tax cut in the $4bn-$5bn range is likely in the 1986187 fiscal year. But this has been brought on more for conventional political reasons—a probable general *election* next year—than because of international calls for Japan to spur domestic demand.

On Friday, the Government reported that Gross National Product in the April-June period *had* risen at a rapid real annual rate of 7.9 per cent—a marked *improvement* on the first *quarter.*

Officials were encouraged that thedomestic sector, long *overshadowed* by exports, had contributed nearly half the expansion.

After a Cabinet meeting yesterday, Mr Yasuhiro Nakasone, the Prime Minister, who is to visit Washington next month, reiterated that budgetary *policies* would have to remain tight, given the large public sector deficit.

But he, and other *ministers,* welcomed the renewed U.S. commitment to free trade.

However, a note of dissent was injected by the Agriculture Minister, Mr Moriyoshi Sato, who said Japan should not yield to pressure to bring forward from April 1987 cuts in the duty on plywood.

To do so, he said, would set a bad precedent and would be unpopular with the Japanese public.

President Reagan had said the U.S. would set specific deadlines for the opening up of the Japanese, and other markets to U.S. goods and services.

This appears to threaten the measured approach of the three-year "import action" programme, but officials here were unclear on what commodities the Administration would *focus.*

Mr Takao Fujinami, the Chief Cabinet Secretary and a close confidant *of Mr Nakasone,* said he hoped the Reagan address would bring about a speedy start to the proposed new multilateral trade negotiations.

Mr Yusuke Kashiwagi

Taiwan sees itself 'off the hook' over unfair trade

BY ROBERT KING IN TAIPEI

TAIWAN appears to be taking scant notice of President *Ronald Reagan's policy* statement on trade issued this week, although textile exporters here *continue to express alarm over* protectionist legislation still pending before the U.S. Congress.

Taipei newspapers paid only slight attention to Mr Reagan's disavowal of protectionist legislation and his determination instead to use other measures to ensure U.S. exporters fairer treatment overseas.

An official at the Government Information Office in Taipei said that the papers and many government officials felt that because Mr Reagan had not specifically named Taiwan in his speech, his reference to "unfair trading practices abroad" did not apply to this country.

*Mr Philip Chen, deputy direc*tor of the Taiwan Textile Federation, which oversees quota allocations and exports of *tex*tile products, remarked: "people were saying in meetings today *that* because President Reagan did not put Taiwan's name on it, we're off the hook.

"But they should have remembered that he also talked about conterfeiting — that definitely puts Taiwan on the list."

The Taiwan textile industry remained extremely concerned about the so-called Jenkins Bill recently passed by the House *which calls for cuts in textile* imports from 12 countries including Taiwan, despite indi*cations that the Bill may* not pass the Senate.

He noted that the U.S. textile industry had proposed amending the Bill to cover only Hong Kong, Taiwan and South Korea —the major suppliers of U.S. textile imports.

Other observers feel that Taiwan is not paying enough attention to the issue of fair trade that forms the main thrust of the President's statement.

"The U.S. is not looking to cut down on imports. Instead free trade is the issue and people in Taiwan and Korea are *sticking their heads in the* sand," Mr Matthew Smith, the Taiwan agent of a major *American fashion house, said.*

"There's been no fair play on the part of the Taiwan Government to open this market, and if they don't they're going to get hit hard."

Mr Smith and other observers feel that the hard-line legislation proposed *in* Congress *will* fail, only to be replaced by penalties such as surcharges on imports from countries whose markets are closed.

"I think Taiwan has got a big problem coming, and they don't know it," Mr Smith concluded. "I think more legis*lation is coming and the three* big targets will be Taiwan, Japan and Korea."

A statement from Taiwan's foreign trade board praised Mr Reagan's stand on trade as far*sighted. It reiterated Taiwan's* commitment to the free trade principle and cited continuing talks over trade liberalisation with the U.S.

It also cited options taken or contemplated to lower or eliminate tariff and non-tariff barriers, and in general to lessen Taiwan's huge trade surplus with the U.S. which last year reached nearly $11bn (£7.8bn).

S. Korea to issue action programme

By Steven B. Butler in Seoul

THE South Korean Government is expected to announce this week a new "action programme" for liberalising foreign access to the nation's merchandise, capital and service markets.

It faces increasing and widespread domestic opposition however, to the meagre opening of the country's market that has already taken place.

The move comes in response to mounting U.S. pressure on South Korea to correct a growing trade imbalance between itself and America that amounted to a surplus in South Korea's favour of $3.6bn (£2.5bn) last year.

Two weeks ago, President Ronald Reagan singled out South Korea for unfairly excluding foreign insurance com*panies from its market.*

It is unclear if the Government announcement will be an acceleration of plans, or *simply* an early announcement about the details of broad liberalisation policies already adopted.

The Government will want to avoid creating the impression that it is responding directly to U.S. pressure. Last week, even the Democratic Justice Party, which supports the Government with a majority of seats in the Assembly, called on the Economic Ministers to roll back already-announced plans to open the domestic market.

Delors gives cautious welcome to initiative

BY QUENTIN PEEL IN BRUSSELS

M JACQUES DELORS, president of the European Commission, yesterday gave a cautious welcome to the U.S. initiative *to head off trade pro*tection measures by lowering the value of the dollar, expressing *confidence* that the European Monetary System (EMS) could take the strain.

He described President Ronald Reagan's pledges to fight "unfair trade practices" as "the least he could do" in the light of the U.S. domestic pressures for greater protectionism.

At the same time, he welcomed the belated recognition by the U.S. of the link between monetary measures on the foreign exchange markets, and trade flows, in the agreement among the five leading in*dustrialised nations to work* towards lowering the value of the dollar.

M Delors, who, *as the* immediate previous French Finance Minister has long been a proponent of greater exchange rate intervention, nonetheless expressed caution about the work still to be done to remove disequilibria in the world economy.

M Delors said that a fall in the value of the dollar should be successfully absorbed by the EMS, given the experience of the European central bankers in regular co-operation in the exchange markets.

The fear is that speculators could rush from dollars into D-marks, thereby putting the exchange rate mechanism of the EMS, which *keeps the* European currencies within specific divergence limits, *under great strain.*

The Commission President said that the latest agreement reached in New York on greater co-ordinated intervention, none theless underlined the need for further development of the EMS on a step-by-step basis.

M Delors said that his satisfaction at the action on the dollar was tempered by caution at what remained to be done, both to tackle the U.S. budget deficit, and to deal with the debt problem.

"This situation cannot be consolidated *unless the under*lying causes are tackled," he said. "If the U.S. continues for *another year with the same* budget deficit, we will be in a situation which would not be *satisfying.*"

On U.S. trade measures, he stated: "President Reagan's task is not an easy one. I don't believe he could have done less in the present American context."

It would not be acceptable for EEC agricultural subsidies to be regarded as the scapegoat for U.S. trade problems, for example, for both farm systems were equally subsidised.

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UK NEWS

Key union opposes strike in Liverpool

By Nick Bunker

MEMBERS of Nalgo, Liverpool's second largest city council union, have voted against strike action in support of demands by the Labour-controlled council for more government aid.

Mr Peter Cresswell, Nalgo's city council branch secretary, said that the totals of individual votes cast for and against strike action would not be announced until this morning. But his statement made more unlikely the prospects of an indefinite stoppage by the 30,000 council employees from today, as recommended by the city's joint shop stewards committee (local union officials).

Last night, the committee was meeting to decide whether to continue with the strike in the light of the ballot by Nalgo's 6,300 council employed members.

The decision was to be taken by the committee's executive, which is dominated by stewards from the General Municipal and Boilermakers Union (GMBU), who have already ignored a recommendation from their regional officials and continued their calls for the strike.

Liverpool council has been approaching financial chaos since, on June 14, Labour councillors voted for a budget of £265m. That would leave a deficit of more than £100m, according to Mr Tony Burn, Labour's finance committee chairman.

Mr Kenneth Baker, the Environment Secretary, has refused to grant an application from Labour councillors to borrow £25m as a way of bridging the budget deficit.

On Monday night, Mr Ian Lowes, the joint shop stewards committee's chairman and a GMBU convener, said the decision on whether to strike would be based on an aggregate of individual votes cast by the unions.

Before the Nalgo vote, the GMBU had voted in favour of striking by 4,345 votes to 2,934. The Transport and General Workers' Union had voted 1,000 in favour of striking and 50 against. Members of the construction union Ucatt had also voted in favour of striking.

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BSC accused of breaching price guidelines

BY IAN RODGER

A HOUSE of Commons committee has charged that the state-owned British Steel Corporation (BSC) sold steel on preferential terms to an associate company, Allied Steel and Wire (ASW), for three years in breach of government guidelines.

The charge, contained in a report of the public accounts committee, will add to suspicions in the private sector of the steel industry that BSC has been providing favourable treatment to its newly-formed joint venture companies.

It also raises the question of whether these ventures, known as phoenix companies, can really be considered privatised, as the Government claims.

BSC refused to comment on the report, but Guest Keen and Nettlefolds, BSC's partner in ASW, said it would argue very strongly with the committee's suggestion. GKN also complained that it had not been invited to submit evidence to the committee.

The committee's report was based on an investigation of the two largest phoenix projects by the National Audit Office for the Comptroller and Auditor General.

It found that, as part of the deal between BSC and Guest Keen and Nettlefolds to set up Allied Steel and Wire in 1981, BSC would supply ASW over its first three years of trading with steel billets on a special price formula established to maintain ASW on a reasonably competitive footing.

The committee concluded that this constituted extra support for ASW and was in contravention of one of the government guidelines established for phoenix companies in 1980.

This states that the ventures, once established, should be free-standing companies without recourse to parent guarantees.

GKN said the price agreement with BSC did not represent a preferential deal. It pointed to an explanation of it in the committee's report which said that the formula recognised that ASW and its competitors could either manufacture or purchase (steel) from other suppliers and that therefore equivalent billet prices should be offered.

The report argues that the private sector companies such as GKN which have been involved in phoenix deals have done much better out of them than the taxpayers. It is critical of the Department of Trade and Industry for not keeping a close-enough eye on the more than £200m of government money that has been invested in steel industry joint ventures.

"We think the department should be much more closely involved in monitoring phoenix operations until their position as free-standing private sector companies has been demonstrated more clearly than at present," it says.

MPs urge Britain to stay in Unesco

By Robert Mauthner, Diplomatic Correspondent

THE INFLUENTIAL House of Commons Foreign Affairs Committee yesterday recommended that Britain should remain a member of Unesco, the United Nations Educational, Scientific and Cultural Organisation from which it has threatened to withdraw by the end of 1985 if it is not radically reformed by then.

Sir Geoffrey Howe, the Foreign Secretary, gave formal notice of the UK's intention to withdraw from the organisation in a letter to Mr Amadou-Mahtar M'Bow, Unesco's director-general in December last year. The British move followed a similar decision by the U.S. Administration, which has already left Unesco.

The all-party committee, reached a series of unusually clear and unambiguous conclusions on the subject of Britain's membership.

Its report said that the withdrawal by Britain was likely to have detrimental effects on its relations with other friendly countries, particularly in the Commonwealth, and was also likely to advance the interests of the Soviet bloc in the Third World.

"It would preclude continued Western influence in the development of the organisation and would, therefore, be likely to encourage the transfer of effective leadership of Unesco into the hands of the Soviet Union and its allies," the report said.

Moreover, a decision to leave the Organisation would be a breach of "the principle of universality" in the United Nations and its agencies, which could have long-term and damaging consequences for those organisations, and not merely for Unesco alone.

Continued membership of Unesco was "an objective which should be pursued in the interests of British scientific, cultural and educational interests," the committee said, noting at the same time that the UK's contribution to Unesco was more fully appreciated within the organisation than it was in Britain itself.

"Whereas the withdrawal of the U.S. was regarded largely as an inconvenience, the withdrawal of the UK would be genuinely regarded as a serious and substantive loss to the organisation, particularly by the UK's Commonwealth allies."

One of the most interesting findings of the committee concerned the role which the U.S. Heritage Foundation, a strong advocate of Reaganite policies, is said to have played in influencing British official and public opinion.

The committee said that Mr Gough Whitlam, former Australian Prime Minister and now Australia's Permanent Ambassador at Unesco, had referred to the Foundation's role in a recent speech.

"We have subsequently received what appears to be firm evidence of the Foundation being involved in campaigns to attack the U.N. and its agencies, and have no reason to doubt Mr Whitlam's allegations of attempts by the Foundation to influence the British press and British opinion leaders."

Fifth Report from the Foreign Affairs Committee of the House of Commons on UK Membership of Unesco, HMSO £9.60

High jobless rate may remain 'indefinitely'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE DANGER that unemployment might remain at present high levels indefinitely was highlighted yesterday in a pamphlet from the Employment Institute.

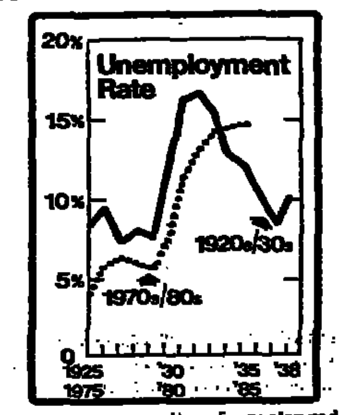
The institute, which was established earlier this year by a wide cross-section of people from politics, the universities and the City of London has argued for a cautious policy of reflation to cut unemployment.

The pamphlet, called "Governments can affect employment," rebuts the arguments of new classical economists and of some members of the Conservative Party that reflationary policies would be ineffective in the long to medium term in stimulating economic demand.

The booklet argues that Mr Nigel Lawson, the Chancellor of the Exchequer, was wrong when he told the Tory Party Conference last year: "Let us be absolutely clear. You will not reduce unemployment by increasing what governments spend or borrow."

Yesterday, Mr Gavyn Davies, the pamphlet's author, said there was increasing evidence that the "natural" or Non Accelerating Inflation Rate of Unemployment (NAIRU) had risen as actual unemployment increased.

This reflected evidence that a considerable part of manufacturing capacity had been scrapped during the last recession as well as the erosion of skills among the labour force as a result of prolonged unemployment.



As a result, there might indeed by a risk of higher inflation if the Government were to provide a general stimulus to demand in the economy.

Equally, the argument suggested that it would be folly to do nothing, for the consequence of inaction would probably be that a large mass of unemployment would continue indefinitely.

Since many of these unemployed would be outside the central core of the labour force, they would have little effect on wage bargaining and therefore little effect on inflation rates.

Governments can affect unemployment, by Gavyn Davies from the Employment Institute, Southbank House, Black Prince Road, London SE7 75 J. Annual subscription £10.

Venture capital fund will seek to start blacks in business

Charles Batchelor on a planned £½m scheme to help the Afro-Caribbean community

THE CITY of London and industry are being asked to support a £500,000 venture capital fund to aid would-be businessmen and women from ethnic minorities, particularly from the Afro-Caribbean section of the community.

The idea for the fund comes from the Paul Bogle Foundation, set up two years ago to advise and train potential business people from the black community.

The foundation, established with the help of money from industry and supported by Camden council in London and government funds, has a full-time staff of four and two part-timers. It is named after a 19th century Jamaican preacher and former slave who was executed after leading a protest for social and economic justice.

It was the idea of Mr Bunny Barnett, a black business consultant, who studied reasons why the Afro-Caribbean community appears less successful at business than some other ethnic minorities or the white majority.

He said it was not a question of there being any inherent inability on the part of the black community, but there was a lack of proven and coherent track record, which led to prejudice. The black community lacked the business support systems which existed, for example, in the Asian community. There was no network of Afro-Caribbean blacks.

Through a mutual business contact, Mr Barnett was introduced to Statham Duff Stoop, the stockbrokers, which is trying to raise the money for the investment fund.

Mr Stephen Pospisil, a corporate finance executive at Statham, said there were plenty of charities around but that was not the fund's object. It would be managed on a strictly commercial basis. Any other approach would lead to disaster.

The fund needed to establish a track record if it were to be able to return to pension fund managers for more money.

The initial plan was for the Paul Bogle Foundation to set up a £250,000 fund in the form of a Business Expansion Scheme. This would have made contributors eligible for tax relief but restricted types of investment and might have aroused unrealistic expectations of returns from private investors.

The fund would have also had to invest all its money in one tax year and would have locked in investors for five years. The institutions at which the present fund is targeted will be more realistic in their expectations, Mr Pospisil believes.

If the fund achieves its maximum size of £500,000, it aims to invest between £20,000 and £50,000 in about 20 ventures, both start-up businesses and existing companies which need capital to expand.

The idea for the fund arose when Mr Barnett realised many would-be businessmen who came to him for training and advice were unable actually to launch businesses for lack of funds.

Mr Barnett said it might take nine months from conception to realisation of a project and one could not wait another nine months to secure the finance.

He said: "Often blacks get an unreasonable request from their bank manager for collateral that you can only describe as prejudice. This is the result of a perception that black people are not good at business."

Mr Barnett said the foundation was often called in to mediate. People with good ideas were not necessarily articulate or patient, and there could be a combination of prejudice and an expectation of prejudice.

Advising aspiring businessmen is a time-consuming task; even if an idea will not work it has to be talked through. Mr Barnett said one had to provide guidance which, at the same time, satisfied ambitions yet was rooted in realism.

Of ideas put forward, 10 per cent are completely unworkable. Many of the rest need to be improved or modified. Most people who ask for advice are aged between 25 and 38 but come from a variety of employment backgrounds.

Some have tried to set up businesses and failed, some want a change from working for others; others have been unemployed. Studies have shown young blacks generally have narrower work experience than whites.

The proposed venture capital fund will provide a welcome addition to the limited provision of business aid to ethnic minorities. The Greater London Enterprise Board provided £1.45m for funds of ethnic minority-led businesses in the two years to this March, including £459,000 to Afro-Caribbean-run companies.

The board will not, however, help businesses employing fewer than five people and it does not act as a source of general business advice to minorities.

The problems that the Paul Bogle Foundation was set up to help solve have been given added urgency by the riot this month at Handsworth, Birmingham. The foundation hopes to extend its activities into areas with large black populations such as the West Midlands.

UK NEWS

Du Pont retains chemicals lead

By Tony Jackson

DU PONT of the U.S. retained its position as the world's biggest chemical company by sales and profits last year, according to the UK-based publication Chemical Insight.

Du Pont also spent more on research and development than any other chemical company. However, the biggest profits increase among leading chemical companies in 1984 came from the U.S. group Dow Chemical, followed by the chemicals division of U.S. oil company Exxon. Next came Bayer of West Germany and Britain's ICI.

As in previous years, the three German chemical majors – Bayer, BASF and Hoechst – followed Du Pont in the world sales league in dollar terms, followed by ICI in fifth place. ICI ranked second after Du Pont in net post-tax profit expressed in dollars.

In terms of performance ratings measuring financial strength, Chemical Insight ranks ICI as leader for the second year running. Second comes Ciba-Geigy of Switzerland, replacing U.S. group Monsanto from the previous year's ratings.

Whereas Bayer and ICI had sales increases last year of 20 per cent and over, and the top 10 European companies all achieved sales increases of over 10 per cent, the strength of the U.S. dollar meant that the best-performing U.S. company in sales terms, Exxon Chemical, produced a rise of only 7.5 per cent.

TOP 10 CHEMICALS COMPANIES 1984

Sales	$m	% rise
Du Pont*	15,861	3.7
Bayer	13,426	20.2
BASF	12,827	15.1
Hoechst	12,472	11.5
ICC	11,487	20.0
Dow	11,418	4.3
Union Carb	9,508	5.6
Shell*	6,913	16.2
Exxon*	6,870	7.5
Ciba-Geigy	6,721	18.5
Net profit		
Du Pont	1,071	27.5
ICI	678	54.8
Dow	585	75.2
Pfizer	508	13.6
Merck	493	9.3
Ciba-Geigy	457	53.0
Monsanto	439	9.2
Exxon	430	59.3
Hoechst	429	48.7
Bayer	373	55.7

** chemicals only*

Midshires and TSB link in cheque scheme

BY CLIVE WOLMAN

THE FIRST cheque account linking a building society with one of the leading banks was launched yesterday by the Midshires building society and the TSB, the Trustee Savings Bank.

The link-up points to the type of alliances and mergers between banks and building societies that are likely after the stock market flotation of the TSB next February and the change in building-society legislation due to take effect from January 1987.

The Midshires Mastercheque account offers customers free banking for accounts remaining in credit, including the use of cheques, unlimited standing orders and direct debits and the use of a Visa credit card.

Current-account balances in excess of £350 are automatically transferred to a Midshires higher-interest account, which at present pays interest of between 7.75 and 9.25 per cent net of basic rate tax. The interest rates are set at guaranteed differentials above the building society's ordinary share rate of between 0.75 and 2.25 percentage points, depending on the size of the balance.

If the non-interest-paying, current-account balance falls below £100, it is automatically made up to £350 with a transfer from the interest-bearing account.

The only other link-ups between a building society and a clearing bank to offer a similar range of services are those between the Alliance building society and the Bank of Scotland and between the Bristol & West society and Standard Chartered. However, neither of those schemes allows its customers access to a bank branch network similar in size or geographical spread to that of the TSB.

The TSB has 1,621 branches in the UK, the fifth largest network, about 700 fewer than Lloyds, with the fourth largest. The TSB is planning to expand its network, particularly in the south east of England, after its stock-market flotation, which is expected to raise about £1bn for the company.

The link with Midshires, in response to a TSB approach a year ago, increases the likelihood that the TSB and possibly foreign banks will seek to expand their retail banking networks by acquiring building societies.

That should be made possible by legislation due to be presented to Parliament by the Government before the end of the year.

The Midshires building society is the 17th-largest, with assets of about £1bn. It is based in Wolverhampton and its branches are concentrated in the West Midlands and the north-west of England.

Mr Philip Court, Midshires chief executive, said yesterday that he expected other medium-sized building societies concentrated in other regions to set up similar schemes with the TSB over the next few years.

Midshires was aiming for a minimum of 15,000 to 20,000 Mastercheque customers after 12 months, Mr Court said. About 40 per cent of those were expected to be transfers by existing customers and the remainder would be new customers.

CBI backs apartheid reforms

BY RICHARD EVANS

THE CONFEDERATION of British Industry (CBI) yesterday reaffirmed its full support for the Government's strategy on South Africa of working for peaceful change through urgent political reforms rather than through the imposition of sanctions.

In a policy statement yesterday, the CBI said: "We are totally opposed to apartheid, which is morally abhorrent and hinders economic growth and free enterprise. We acknowledge that a start has been made on dismantling the system, but we believe it must be abolished altogether as soon as practicable."

The CBI believes, however, that the process of political reform would be retarded rather than assisted by measures which damaged South Africa's economy such as enforced disinvestment by foreign companies or trade embargoes.

These, it argues, would weaken the beneficial influence of the business community, encourage further polarisation of attitudes, damage prospects for recovery and growth, endanger the livelihood of many non-whites, destabilise the economies of neighbouring black African nations, and could affect employment in the UK.

Risk of 'spilt blood' in City revolution

By Barry Riley in St Helier

A LEADING international banker said yesterday that it was possible that some blood would be spilt in the process of the financial revolution in the City of London.

Mr Harry Taylor, a Briton who rose to become president of Manufacturers Hanover, the leading U.S. bank from which he retired earlier this summer, accused some larger banking groups of treating their investments in City securities firms as "insurance premiums" against the possibility that they would find this new type of business to be worthwhile.

He was speaking at a conference in Jersey on managing risk in financial institutions for the accountancy firm of Deloitte Haskins and Sells, for which he has just become an adviser.

Mr Taylor said international banks had already suffered from an excess of institutional and personal ambition in the promotion of new financing techniques.

He gave a warning: "It seems unduly optimistic not to expect this behavioural pattern to repeat itself in London when the 'Big Bang' comes."

Mr Taylor attacked three "disturbing trends" on the U.S. banking scenes. These were the trends toward debt-financed "megabuck" takeovers, the practice of repurchasing shares, and the growth in popularity of the leveraged management buy-out.

These trends could lead to a dangerously high reliance upon borrowing as the chosen means to finance a business, he said.

● Britain's finance houses, which make the bulk of instalment loans, are launching a campaign to explain and justify their new National Credit Register, where details of personal borrowers and their repayment record will be kept, David Lascelles writes.

Banks without account charges 'winning customers from rivals'

BY CLIVE WOLMAN

THE BANKS which impose charges on personal current accounts have been steadily losing customers – including many of their best – to the banks which do not.

Figures released yesterday by National Opinion Polls (NOP), based on an annual survey of 65,000 people, suggest that the switch in the last two years by the Midland and TSB to free banking for accounts kept in credit, has been a highly successful marketing move.

The figures cast doubt on claims by the other major clearing banks, particularly Barclays, that those customers who have moved their accounts have been their least profitable and attractive customers, with low average balances and who come from the lower socio-economic groups.

Of the 1.1m current account holders who switched banks in the year to June, 55 per cent were from the upper socio-economic groups, A, B, and C 1, the NOP survey indicates. This compares with a proportion of only 52 per cent of all current account holders from these groups.

A total of 51 per cent of the switchers were aged below 35 years – and thus would have more years in future as bank customers – whereas that age group comprises only 37 per cent of all current account holders.

Figures showing the proportions of customers holding and using credit cards – another criterion of their attractiveness to banks – also indicate that those switching to free banking are likely to be more profitable to the banks than the average customer.

In the year to June 1984, the proportion of current accounts at the charging banks was 85 per cent, the NOP statistics show. But their share of new accounts transferred from other banks was only 59 per cent.

A year later, the market share of the charging banks had fallen to 60 per cent, primarily because of the change to free banking by the Midland and TSB.

Figures collected by NOP suggest that customers who switch in search of free banking are often disappointed. Over the last year, between 35 and 45 per cent of customers with free-if-in-credit banks have had to pay charges at least for one quarter because their accounts moved into the red.

RUN-UP TO PRIVATISATION COSTS AIRLINE £120m

British Airways polishes its image

BY LYNTON McLAIN

BRITISH AIRWAYS (BA) has spent more than £120m on improving its image in the run-up to privatisation. That emerged yesterday when Mr Colin Marshall, chief executive of the airline, announced "the most important campaign [BA] had ever mounted."

British Airways launched the first stage of its pre-privatisation campaign with advertisements showing its staff as heroes and heroines of a "caring" airline. The Government intends to sell BA to the private sector next year.

The campaign is aimed at frequent business travellers and at the leisure market. The former are seen by BA as "seasoned, sophisticated and often prejudiced against British Airways." The latter is viewed by British Airways as "less discerning and maybe seeking reassurance" about safety. That was especially true in the wake of the recent British Airtours 737 accident, which killed 55 people, the airline said yesterday.

The campaign is part of the larger exercise by Mr Marshall to overhaul before privatisation what he has described as the "care-worn, rather dated image of an airline that offered an inadequate service to its customers."

He has authorised expenditure of £120m on changing the image of BA in the two and a half years since his appointment.

"This might appear to be a lot of money," he said, surrounded by spotlights in a television studio for the media launch. The airline spent £30m a year on worldwide advertising, a total of about £75m in two and a half years.

In addition, "the total image change programme" had cost £45m, he said. That included aircraft paintwork and the corporate livery of the airline, covering vans, stationery and assorted items, aircraft refurbishment and new uniforms for the staff.

The latest phase of the publicity exercise involves a £5m advertising campaign, the biggest in the airline's history. It is based on the airline's policy of "putting people first," and started last night with a television commercial.

The advertisements show airline staff flying as "supermen and superwomen" in their efforts to serve passengers. Saatchi & Saatchi Compton, the airline's advertising agency, developed the theme.

Almost no marketing cliché was left unused at yesterday's glittering media launch of the "caring airline" campaign. The campaign is based on the proposition that "you are going to notice a whole fresh attitude, a new warmth and friendliness in British Airways people from now on," the airline said.

Mr Marshall insisted that "putting people first" was not just a marketing slogan. "It represents a state of mind required by all staff in BA." The new attitude towards BA's customers was followed by the need for a new style of management, "then a change of image and a new corporate identity."

Shell to close bitumen refinery

By Dominic Lawson

SHELL is to cease manufacturing operations at its bitumen refinery at Ardrossan, Ayrshire, on the west coast of Scotland. Its move is a further step in the restructuring of the UK's oil refining industry.

Last year Shell announced the closure of its Teesport refinery in the north-east of England, while in March this year the company said it planned to make 1,000 workers redundant at Stanlow, Cheshire, the largest of its UK refineries.

Last year Shell UK lost about £35m on its oil refining and marketing. Mr Robert Reid, the chairman of Shell UK said yesterday: "Unless we face up to the need for this restructuring, we will never make any money. We are in much better shape now."

Mr Reid said that in Shell's programme of refinery closures "the unions have been first class in facing up to the problems." The Ardrossan refinery, which processes heavy oil from Venezuela into bitumen, employs 65 people. Only 15 workers will be retained. They will be involved in the plant's continuing operations as a storage site for bitumen.

Shell would not reveal yesterday how much it would save by halting refining work at Ardrossan, which has been loss-making for many years. Oil industry analysts thought savings would amount to at least £1m a year, however, Ardrossan's throughput was 100,000 tonnes a year, compared with the total UK bitumen handling market of 1.9m tonnes a year.

● The British Gas Corporation may develop new areas of business activity after it is privatised, Mr Chris Brierley, the corporation's managing director for economic planning, said yesterday. Mr Brierley added that it might not be sensible to continue to impose on the privatised business the statutory duty to meet all reasonable demand for gas in the UK, since British Gas might not in the future be the only company licensed to supply gas in the UK.

Delays in Whitehall 'hindering' microelectronics innovation

BY GUY DE JONQUIERES

DIRECT GOVERNMENT support for the use of microelectronics in industry is stimulating commercially successful innovation, according to a report published yesterday. Administrative delays in Whitehall are, however, hindering the effectiveness of such spending.

The report is by the independent Policy Studies Institute (PSI) and was commissioned by the Department of Trade and Industry. The DTI administers the £300m-a-year Support for Innovation (SFI) programme which includes support for microelectronics applications.

The report questions government attempts to ensure that grants are restricted to microelectronics projects which would not otherwise have gone ahead. Controls may create more waste than they avoid, it says.

It also criticises the Government for imposing a six-month moratorium on new microelectronics support grants last year. Such freezes, it says, create damage through misunderstanding and loss of confidence which far exceeds any savings they may achieve.

The report is based on a study of the Microelectronics Application Project (MAP) which was launched in 1978 and was superseded by the SFI programme earlier this year. The PSI says direct project aid should be continued and, preferably, expanded.

Its views challenge the Government's decision earlier this year to cut the SFI budget by £10m and to reduce spending on direct project support in favour of programmes to increase industry's general awareness of microelectronic technology.

The PSI finds that companies which have received MAP project grants have been measurably more successful in achieving microelectronics innovation than those which failed to win government support.

More than 80 per cent of projects backed by MAP had met their technical specifications, against 60 per cent of projects which did not get aid. More than half the assisted projects were in commercial production and 35 per cent were commercially successful, against a third and 19 per cent respectively for projects excluded from MAP.

Projects supported by MAP also achieved higher domestic and export sales, created more employment and produced more unexpected side benefits than those which did not benefit from the scheme.

Government funding covers up to 25 per cent of the cost to a company of developing a new product or process using microelectronics. So far, more than £200m has been committed to such projects and the average grant has totalled £47,000.

Almost two-thirds of the 1,359 companies offered grants up to April 1984 have been in the electrical, electronic and instrument engineering industries. More than half the companies are located in the south-east of England and 56 per cent employ fewer than 100 people.

The report's main criticism is of the time taken by Trade Department officials to process grant applications. It recommends that delays be cut sharply by simplifying the requirements placed on companies, streamlining procedures or increasing administrative staff.

Though trade officials say most applications are dealt with in three months, a detailed survey by PSI of companies involved finds that the average delay is six months and that a quarter of cases surveyed took longer. The report describes the delays as anomalous.

"The benefits from the support arise mainly from the effect of the grants in making development happen sooner than it would otherwise have done, but the effect of any time spent on processing applications is to make the development happen later than otherwise," the report says.

Promoting Innovation: Microelectronics Applications Projects. £10. Policy Studies Institute, 100 Park Village East, London NW1 3SR.

RESULTS OF MICROELECTRONICS INNOVATION PROJECTS

	Companies offered MAP grants %	Companies not offered MAP grants %
Project abandoned	11	23
Technical specifications successfully met	82	60
In commercial production	52	33
Commercially successful already	35	19
Significant increase in UK market share	25	14
Significant increase in export sales	27	23
Increase in numbers employed	30	19
Reductions in numbers employed	5	12
Acquisition of in-house expertise	51	46
Useful unexpected gains	28	18
More worthwhile than expected	24	22

Source: PSI

Grosvenor challenged in property case

BY RAYMOND HUGHES, *LAW COURTS CORRESPONDENT*, IN STRASBOURG

GROSVENOR ESTATE, London's largest private landlord, was accused yesterday of wanting landlords in wealthy areas to be treated differently than those in poor areas.

Mr Robert Alexander, QC, for the UK Government, told the European Human Rights Court in Strasbourg than Grosvenor Estate, which owns more than 1,000 houses in Belgravia, one of London's wealthiest residential districts, had argued that the 1967 Leasehold Reform Act should be applied only in poorer areas.

The Act entitles tenants with long leases of houses to buy the freeholds of their homes at below market value.

Grosvenor Estate, owned by the estate of the second Duke of Westminster, complains that it has lost £2.5m through enforced sale of 80 of its properties to tenants under the Act. It has asked the court to say that the Govenment should compensate it for what it argues is a violation of its property rights guaranteed by the European Human Rights Convention.

Mr Michael Beloff, QC, for Grosvenor Estate, described the Act as "a blunderbuss weapon inept for its target."

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Household appliances

Whirlpool streamlines for a new thrust

The American giant is going international. Terry Dodsworth reports

BILL MAROHN is vice president of the kitchen products group at Whirlpool, the U.S. household equipment manufacturer. When he goes on a tour of a plant his correct business suit stands out amidst the overalls. Yet no one seems to notice the difference. As he skirts around the clanking machinery at Findlay, Ohio, trading first names and handshakes, you would think the next door neighbour had dropped in for a chat.

Up to a couple of years ago, Marohn used to be head of production at Findlay, so his familiarity with the people in the plant is no accident. Yet the ease of communication between different ranks in the workforce is not left to chance either. "We have a very extensive communications programme," says Jay van den Berg, division vice president. "We have a newsletter, we send out around 10 letters a year to people at home, and twice a year I hold a meeting with everyone in the plant."

Meticulous shopfloor management is just one element of the technique that has gone into making Whirlpool one of the two largest U.S. companies in its sector, and a powerful candidate to challenge Japanese competitors at home and abroad (see below). Across the range of its activities, the group displays many of the characteristics which are often said to have disappeared from the mid-western industrial belt in the last decade of crisis—the carefully paternalistic attitude to the workforce, the serious approach to work, and, not least, the deadly competitiveness.

Indeed, the problems that blighted the industrial territory which surrounds Findlay in the area around Lake Erie seem to have largely by-passed the company. Since Whirlpool opened its Findlay plant 18 years ago, it has scarcely had a down year. Output has gone up steadily, investment has grown to around $80m in total, and the number of jobs has risen from nothing to around 2,000.

The group as a whole has grown in step. At a time of rapid consolidation in the U.S. white goods industry, it has emerged on an equal footing with General Electric at the top of the market.

Whirlpool is believed to have a considerable lead in the washing machine market, with more than a 40 per cent share, leaving GE trailing with 15 to 20 per cent and Maytag and White Consolidated with about 15 per cent each. The company can more or less match GE's 30 per cent slice of the refrigerator business, where White comes a close third with about 25 per cent.

However, it lags in the dishwasher business, where it has about 13 per cent compared with GE's 30 per cent. Second place here is held by Design and Manufacturing, a private company.

Bill Marohn: handshakes

Whirlpool has been a cash machine for years—in the last three alone it has carried between $310m and $418m of liquid funds in its balance sheet, while its long term debts have never counted for more than $61m. In 1984 it generated earnings of $190m compared with $59m in 1975, from sales that have grown from $1.3bn to $3bn.

Indeed, in some ways, Whirlpool's solid virtues have worked against it. According to a recent study of corporate tax avoidance in the U.S., it is one of the very few companies to have paid anything close to the statutory 46 per cent rate in the last few years.

Whirlpool has achieved its present dominance by aiming itself squarely at the mainline market of Middle America. It came into being as a supplier to Sears, Roebuck, the world's largest retail chain, a company which, by definition, is one of the most sensitive guides to the needs of the U.S. mass market. Whirlpool's electric washing machines, eventually marketed under its own name as well as Sears', set it on the map in the first half of this century.

Since the 1950s, however, Whirlpool has broadened its base, expanding steadily through acquisitions to give itself a product range encompassing washing machines, dryers, cooking equipment and dishwashers.

A brief flirtation with television manufacturing came to an end when it sold its Arkansas plant to Sanyo of Japan in the mid-1970s, and it has since concentrated on the kitchen. It is currently trying to buy the KitchenAid appliance company from Dart & Kraft, a deal which is being investigated by the anti-trust authorities.

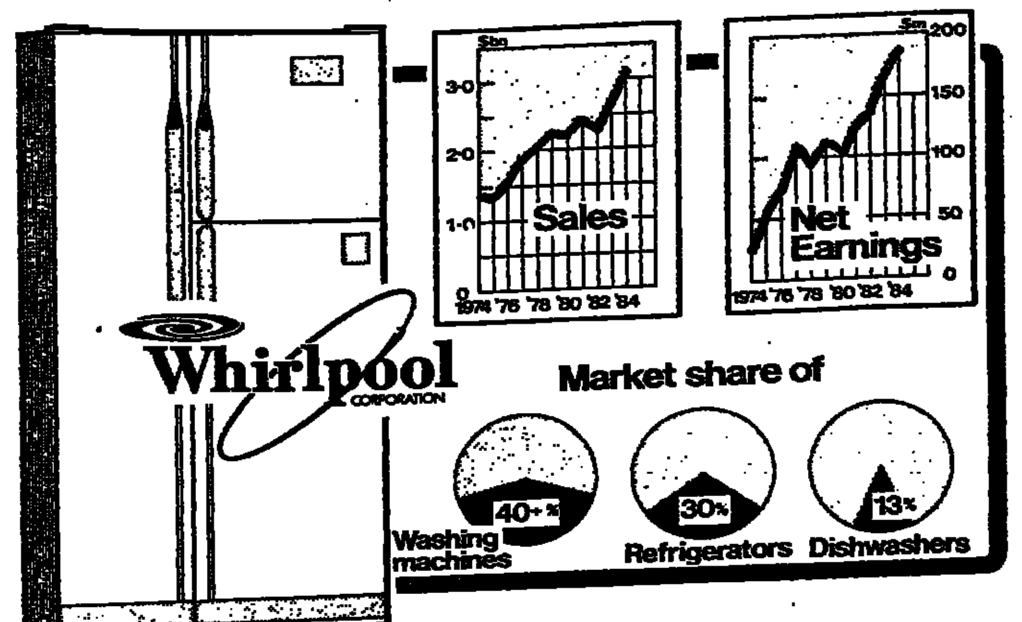
In its drive for growth over the last three decades, Whirlpool developed the reputation of being primarily an aggressive marketing company. But the last few years have seen a significant shift of emphasis towards strengthening its manufacturing base.

Its 1984 annual report, subheaded "Assuring the competitive edge," and larded with details of an ambitious five-year expansion plan, underlines the new thinking. It reveals a company which has become keenly aware of a competitive environment in which it will have to ensure that its manufacturing costs are in line with international standards.

The first aspect of the current strategy is a $600m capital expenditure programme aimed at a sweeping reorganisation of the factories.

Several products, such as commercial ice-makers, have been dropped, and some facilities closed down, but alongside this streamlining, the company is restructuring its plants to consolidate operations which have sometimes been spread around a number of facilities. Findlay, for example, has now taken on all the cooker range production.

The modernisation that has gone alongside this programme is eating up cash—last year the company spent $134m on new plant and equipment, almost twice the rate of depreciation. But Whirlpool says it was necessary because some plants were operating at high efficiency while others were "under-utilised, too old to be competitive, or otherwise were not well equipped for top-quality, cost-efficient, high-volume production."



It expects to achieve a 15 per cent reduction in manufacturing space, along with a significant reduction in employment and "other direct costs for comparable production levels."

The second line of action bears directly on productivity. In reorganising manufacturing, says Marohn, the group has adopted two different approaches, depending on the characteristics of the line of products involved.

In the company's Clyde plant, for instance, where it makes its washing machines, "we have gone for a whole new product design together with the automated factory approach." The previous washing machine design was 30 years old. The new one is aimed at reducing manufacturing energy costs and scrap, while easing production by an "inside-out" assembly process.

Findlay is an example of an alternative approach, says Marohn, where "we thought we had a product design with which we could be happy. So we decided to automate various aspects of production in a more incremental approach to automation."

One example of the impact of the Findlay methods is the cooker cabinet line, which has been converted from manual to automated production in a move that has reduced labour time by around 70 per cent, increased unit production by 35 per cent an hour, cut scrap costs by more than 75 per cent, and doubled overall productivity as measured by cabinets produced per employee/hour.

Findlay has also concentrated on trimming the carrying cost of its inventories. On the metal presses, the method of changing over the dies has been modified so that it takes a matter of minutes rather than hours, keeping inventory more strictly in line with demand. A new machine which makes intricate plastic parts from moulds which are changed automatically is also just coming on stream.

According to Jerry Weinstein, director of manufacturing engineering, the division has doubled its inventory turns—a measure of the total cost of products against the average annual inventory level—in the last five years. "We now turn our inventory about 38 times a year. We were only half that five years ago," he says.

The third element of Whirlpool's competitive drive is to convince the workforce that all these changes are necessary. The investments in automation clearly threaten some types of jobs — indeed, the number of total employees has come down from 27,000 in 1974 to 22,000 last year.

Whirlpool has tackled the challenge of shop floor management with a blend of methods which appears to fall somewhere between a more traditional type of benevolent paternalism and a modern style of participative management.

On the one hand, a great deal of time is spent on developing a kind of "family" atmosphere in the Findlay plant, using birthday parties, special social events, or photographs and personality stories in the company newspaper.

At the same time, managers are expected to pay a great deal of attention to communications. Supervisors are made responsible for channelling information on a regular daily basis to the people they manage six times a year; they also hold formal meetings on work practices and staffing and van den Berg himself has two sessions a year with everyone in the plant to discuss the state of the business. At present this may be a somewhat top-down approach, but the development of quality circles is beginning to generate more ideas from the shop floor.

Whirlpool's aim is to turn this five-year drive for a stronger competitive base into a $1bn increase in sales to $4bn. This will be no mean feat at a time of comparatively low inflation, and the company is likely to rely on acquisitions for a considerable part of the growth.

It is also depending on the steady maturing of the baby boom generation. Over the next five years, these demographic factors are expected to lead to the shipment of 35 per cent more appliances than in the previous five.

If the industry behaves according to plan, and expands at such a rate, it will inevitably act like a magnet to new competitors, particularly to the kind of overseas competition which has wrecked such havoc in other basic U.S. industries. The expectation of this intensifying competition is why Whirlpool has its new efficiency plan—and why the programme is so important to its future.

Confronting the challenge from Japan and Korea

TUCKED away in Whirlpool's 1984 annual report was a little-noticed reference to an effort to "consolidate existing international activities and explore new ventures." What this means is that the company is looking very closely at both Europe and the Far East for expansion or acquisitions—indeed, it has had teams scouring both areas to assess the various possibilities.

The overseas push is part of Whirlpool's answer to the criticism that the company has continued to flourish because it is in one of the few established sectors of U.S. industry that have not come —yet—under serious attack from Japan. It has plants in Brazil and exports some of its products, but it has limited international experience, and up to now it has been protected at home by a product line — relatively capacious washing machines, dishwashers and cookers—where far eastern competitors have little manufacturing experience in their home markets.

Indeed, in the one area where the Japanese and Koreans have entered the market in a big way—microwave ovens—Whirlpool, like the rest of the U.S. industry, has suffered heavily. Today, far eastern producers control more than half the U.S. microwave market. There are now signs that these overseas companies, which have begun to take a sizeable chunk of the peripheral markets for small washers and cookers, are preparing to expand into the core sectors controlled by the U.S. groups. The Europeans, too, are intensifying their attack on the U.S. market.

Electrolux, the dynamic Swedish-based group, is already active via Zanussi and its other brands. But the industry at large believes it has considerable consolidation to undertake in Europe before it can be viewed as a major threat in the U.S.

More pressing is the recent entry by Matsushita of Japan. It recently started testing the water with a full range of major appliances, mostly made in Canada, and bearing the Panasonic brand name. Already the biggest Japanese company in the U.S. market, notching up $3bn in sales last year, Matsushita is seen as a bellwether for other potential competitors from Japan.

As well as microwave ovens, Sanyo is already building refrigerators in the U.S., and Sharp is exploring the possibilities in other major appliance sectors.

The potential challenge posed by the Far East manufacturers has already led to some adaptation at Whirlpool. In factory management, for example, its new emphasis on inventory control owes a lot to Japanese practices, which created a higher level of awareness in the company.

Manufacturing abroad may become another element in the group's defensive strategy, partly to hit back in the home market of potential competitors, and partly to establish a clearer understanding of their strengths and weaknesses.

"There is no question that the market is becoming more international," says Whirlpool's Bill Marohn. "More and more when we are developing new products we think about how to make them saleable overseas."

THE ARTS

Television/Christopher Dunkley

Praise be the duopoly

Is British broadcasting working "superlatively well"? John Mortimer, QC, television script-writer and inventor of Rumpole, thinks so. Is the BBC "one of the great institutions of the Western world?" Sir Huw Wheldon, OBE, MC, former director of BBC Television, says so. Does the quality of broadcasting in Britain "remain extremely high"? According to the minister responsible for broadcasting, the Rt Hon Douglas Hurd, CBE, MP, it does. Is the BBC "that most marvellous specimen of the species"? So says Les Brown, *editor-in-chief* of the American magazine "Channels of Communication."

By the last day of the Royal Television Society Convention in Cambridge last week, so many compliments had been showered upon British broadcasters, so much flattery poured on their heads — mainly by British broadcasters themselves, though with contributions from a *handful of anglophile Americans*—that one began to wonder why they did not have done with it and simply declare themselves perfect.

Having noted an attitude bordering on contempt for popular *television* at last month's Edinburgh International Television Festival, I was interested to find a subtly contrasting atmosphere at Cambridge. *Disdain* for mass tastes was as strong as ever. In the televised debate at the Cambridge Union on the first night Paul Johnson spoke for the motion "That this house

> **"It was rather like a comedian getting cheap laughs at a weekend house party by telling jokes about Gasworks Terrace"**

believes the BBC should accept advertising" — a suggestion which he seemed to support largely out of a spiteful dislike for the Corporation—and his opposer, John Mortimer, declared with hauteur: "Mr Johnson is really calling to you in the dulcet tones of Mr Leslie Crowther [presenter of *The Price Is Right]* to "Come on down!" Come on down to the Teasmade and the Carmen Rollers." The supercilious deliberation which Mr Mortimer loaded on to those brand names won an approving roar of scornful laughter from television's assembled bigwigs: it was rather like a comedian getting cheap laughs from a weekend house party by telling gags about Gasworks Terrace.

The keynote of the convention was complacency. Again and again we heard that mock-modest phrase "Britain has the least worst television in the world," a claim which sounded increasingly odd as the results trickled back from the Prix Italia, Europe's leading broadcasting festival, revealing that the top television prizes had all been won by other countries. That alone is not, of course, a condemnation of British television. By world standards the broad *spectrum of our television* actually *is* unusually impressive, a fact which has frequently been acknowledged in this column.

But it is one thing for an outsider to express admiration and another thing for the television people themselves to produce such a chorus of self-adulation. Could there be rather more to it than met the eye? Indeed there could. Edinburgh is traditionally the stamping ground for young radical producers and independents whereas the Cambridge Convention, organised by the RTS, a body started in 1927 by engineers, has become the biennial event for the grandees of BBC and ITV. King's College Hall is turned into the world's most classy canteen for the duration, and you are less likely to find yourself rubbing shoulders with a research assistant or a producer than with a managing director or a programme controller.

The hubris emanating last week from these top men was surely an over-anxious reaction to having just lived through one of the most troubled periods in the history of British broadcasting: the BBC's fight for the licence fee, ITV's suddenly reduced advertising income, the *Real Lives* row, the MI5 revelations and above all the appointment of the Peacock Committee to consider the proposal that the BBC should take advertising. This idea frightens the moguls of ITV, who would lose their monopoly, just as much as it appals the gentlemen of the BBC who would lose their amateur status. Nor *is* that their only worry.

Though mutual admiration was certainly the main occupation, events did include one or two significant indications of the way a wind of change is beginning to gust through television which could blow away the duopoly. One session was devoted to a videotaped interview with Rupert Murdoch who not only called for the privatisation of BBC1 but also remarked that no matter what the British authorities might try to do to maintain regulation of television, technology would run ahead of them.

On the same day Mr Murdoch announced a new link between his own News International company and Groupe Bruxelles Lambert, main shareholders in Radio Télé Luxembourg. Together they will investigate both terrestrial and satellite broadcasting, one idea being an English language service beamed direct into British homes *from a French satellite*. On the previous day we had heard the surprise announcement that the Irish government had approved a £300m project for a satellite broadcasting system with a footprint stretching from the eastern seaboard of the U.S. to Western Europe. This, it seems, might also offer British viewers satellite services before any British satellite goes *into operation. There was* speculation, too, about the precise date when American Ted Turner will start beaming his 24-hour satellite news service into Britain: soon was the unanimous belief.

Despite all this the tone of self-satisfaction scarcely wavered. As events proceeded it became distressingly clear that the members of the duopoly are *entirely confident of their* ability and divine right to decide what's best for British viewers and give it to them. In an excellent "hypothetical" about terrorism and television organised by Granada producer Brian Lapping, who has frequently produced such "let's pretend" exercises on television, using the people who would actually be involved in a real crisis, it was enlightening and horrifying to discover the readiness of British broadcasters to abandon the independence of the fourth estate when the going got rough and "Phone Charles" for instructions, whether Charles was in the government or in Whitehall.

Only one man repeatedly voiced on television's behalf today's version of the belief expressed by Times editor John Delane who said in 1851 "The Press lives by disclosures." The duty of the reporter to pursue the public's right to know was championed solely by Paul Friedman, representative of America's ABC network news. He was as incredulous as I was when one BBC representative actually agreed to a police request to pose as one of them.

The belief that the present nannies of British broadcasting know best and that disaster would ensue if we were allowed to go down to the end of the town without them — if choice in television were as free as in newspapers or books or live entertainment — emerged most dramatically from the session called "The U.S. View." While Americans Les Brown and Robert MacNeil heaped more praise on Britain's duopoly, Charles Bonan of America's Turner Broadcasting read out the choices on British television *between 8.00 and 9.00 that night (Dynasty*, on BBC1, local current affairs and *Gardeners' World* on BBC2, a sitcom and

> **"In the end I realised that when a British broadcaster talks about 'choice' he means 'choice among the sort of things I like' . . ."**

an American game show on ITV, *What the Papers Say* and *A Week in Politics* on C4) and the 26 choices in one American city *including* documentaries, sport, news, movies, and a book programme.

Again and again that comparison was used subsequently as "proof" that "more means *worse" even though it* clearly indicated a far wider choice for American viewers. In the end I realised that when a British broadcaster talks about "choice" he actually means "choice among the sort of things that I like: single plays, current affairs and opera." Show him a list including *I Love Lucy*, five popular movies, sport and rock music and he will sneeringly dismiss it as "no choice."

In the end the whole affair put me in mind of a couple of landed aristocrats polishing a pair of vintage Rolls-Royces. "How are we going to get the peasants to pay to come in our beautiful cars?" muses the first. "I think I'll levy a poll tax, then they can ride about whenever they like—provided *they go where I'm going*."

"I'll put a tax on everything in the company store," says the second. "Then they won't even notice they're paying for it, but they'll still have to go where I'm going."

What neither old gentleman notices is that they are being watchd from the shadows by the peasants sitting in their own Ford Escorts.

The Murderers/Cottesloe

Michael Coveney

"We've felt crippled since the Cottesloe closed" said Sir Peter Hall at the below-mentioned ceremony. He then cut the red tape, diplomatically slapped both the GLC and Lord Cottesloe on the back and we all barged back into the little *black box for* what turned out to be a thoroughly gripping, scrupulously well presented and low-key provocative new play by Daniel Mornin set in East Belfast in the early 1970s.

Alison Chitty's design of beer crate building blocks, ominously projected unchanging dates of 1690 and 1972 and overblown silk screen mon*archist pound note icon is the* perfect setting for a Protestant drinking club in which the politically vacillating Tommy (Ewan Stewart), newly returned from across the water, seeks revenge, or at least explanation, for his father's murder.

Unfashionably, the piece is restricted to the Ulster loyalist social background, with fired-off insults against the IRA Republicans and a sort of inverted O'Casey glee in its stage evocation of a comically inter-related but confusedly motivated community. The hardline activist Sam (Patrick Drury) bemoans the fact that they are losing the province not to the IRA but to Westminster. This remains a political distinction little understood by many of us in England, and it is given eloquent dramatic exposition.

The wrong man is dragged in and subjected by the gang to a most gruesomely violent humiliation: stripped naked, old Pat (Michael O'Hagan) *has his* face smashed by a glass, his ribs stuck by a knife, his abdomen kicked by a chorus of pounding feet. Not a pretty sight. The interval: then, unexpectedly, even more evidence of atrocity in the same direction.

While Peter Gill's production may not amount to a family show, it certainly takes hold as a convincing unreported scenario leading to the suspension of Stormont in 1972. "I want Ulster to stay British, because British is best" is one apostrophised line, and the challenge in many ways of the play is to our easy assumption that British nationalism is rooted in republican dissension. The play is thus genuinely controversial, and ends on a classically lyrical Gill semi-colon with a committed "Prod" (Lorcan Cranitch) arguing the long-term issues with the incestuously inclined Tommy.

It is all done with admirable sensitivity and discretion, even if I did find Ewan Stewart distinctly under-expressive in the main role. Andrew Byatt and Daniel Webb provide notably interesting and well-observed performances in a play that is fascinating, subversive and, most important of all, on the side of illumination through freshly dramatised experience. The Cottesloe is back in business with, you might say, a vengeance, and Peter Gill renewed as a creative director. Not before time.

Alastair Muir

Michael O'Hagan

Sir Peter regains a limb

With a fanfare of trumpets the National Theatre welcomed back into action its third, and smallest stage on Monday when the Cottesloe reopened after a five-month closure. For director Sir Peter Hall its absence had been a searing experience —"like losing a limb."

The Cottesloe had been closed because of the cash crisis at the National Theatre. It had received only a 1.96 per cent increase in subsidy, to £6.7m, from the Arts Council for 1985-86, which meant a financial shortfall of £1.1m. To make good the deficit the National was forced to reduce its workforce by 92 (out of 700) and to close the Cottesloe, which costs £750,000 a year to run, but because of its tiny size, produces only £250,000 in box office revenue.

A grant of £875,000 from the GLC has enabled the National to open the Cottesloe again for another six months, but its future is far from secure. Everything depends upon the level of subsidy the National receives from the Arts Council in 1986-87. It needs to rise appreciably, for 1985-86 is the last year in which the National gets aid from the GLC—£798,000 on top of the special grant for the Cottesloe.

The National should know its fate by December, but there is no indication that the new Minister for the Arts Mr Richard Luce, will be able to produce enough extra cash to made good the loss of the Metropolitan councils, like the GLC, and also provide an increase in basic support in line with inflation.

The first guess from the Arts Council suggests a marginal 2 per cent or so rise in the general subsidy, and a sum to make good the loss of the Mets which will be higher than the original £16m promised by the Government but far less than the £34m the Arts Council has requested.

So Monday's celebration could be the last at the National for some time. Sir Peter was full of good news. Attendances at the Olivier and the Lyttelton during the summer had been the best in the theatre's history —well over 90 per cent—and there had been a good return from the West End transfer of *Guys and Dolls*. The transfer of *The Mysteries*, the last production at the Cottesloe before its closure, to the Lyceum had been a critical and popular success, but had not produced any extra income.

The Cottesloe is opening with a nine-week season of new plays developed in Peter Gill's workshop. The first *The Murderers* by Daniel Mornin, is reviewed here. The next production, after the burst of new works, is *The Cherry Orchard*, which comes out of the McKellen/Petherbridge actors group.

The National is pushing harder to gain more commercial sponsorship to make good the loss of GLC aid, but even its successes here, its better box office (which brings in around half of its income) and its profitable transfers, can never make good its need for subsidy. Next year's crisis could make 1985 look like a gnat's bite.

Antony Thorncroft

New York City Ballet/Taormina

Freda Pitt

Those wishing to catch the New York City Ballet in Europe this summer had to go either to one of two Spanish seaside resorts or to Taormina, where the arts festival closed in early September with two performances by the group of 13 dancers which attracted the largest audiences of the music and dance section.

Despite the disappointment *of the reduction* in numbers, the dancers brought a brand of all-out dancing that provided a heart-lifting conclusion to the whole festival. The two programmes—of which I saw the first and a run-through of both —were skilfully constructed to show the many facets of Balanchine's work, from the daring austerities of *Agon* to the zippy entertainment of *Who Cares?* by way of the grandeur of the *Nutcracker* grand *pas de deux* (without variations) and the less grand Tchaikovsky of *Allegro Brillante*, which opened the first, all-Balanchine programme. The second programme included Peter Martins's *Calcium Light Night*, danced by Heather Watts and Jock Soto. These were two of the three principals appearing at Taormina, where 30 dancers had originally been announced, under the personal management of Peter Martins. In the end, Martins preferred to stay at home, the family being represented by his son, Nilas, a promisingly bouncy *corps de ballet* member.

Heather Watts has grown in stature as an artist in the last few years. She has the necessary openness and pliancy of movement for the hair-raising complexities of the *Rubies pas de deux*, the presence and precision for *Nutcracker* and the throw-away charm for *Who Cares?* Sean Lavery, too, who partnered Watts in *Nutcracker* and the Gershwin ballet, now looks at his peak as dancer and artist. Even at the rehearsal, it was evident that Martins's mantle had fallen on his Apollo. Greek gods look at home on the ancient Taormina stage, so *Apollo* (still in its truncated form) carried a particular authority there.

It is 20 years *since* the company (then in full) came to Italy. In the meantime surrogate Balanchine has held the field, so part of the audience found it as difficult to adjust to the genuine article as someone who habitually drinks coffee substitutes does when faced with the real thing. Also, American showbiz is looked on askance by much of the Italian *intelligentsia*, with the result that *Who Cares?* received little applause from the front rows, although the dancers were at their most engagingly high-spirited in it, from the opening *Bidin' my time* for five young men to the fireworks-for-all of *I've Got Rhythm*. Melinda Roy's serene and beautifully stylish *I'll Build a Staircase to Paradise* stays in the mind, as also Watts and Lavery in the intense *The Man I Love pas de deux* and the loose-limbed ease of Leslie Roy and Peter Frame in *Embraceable You*. Frame also performed *'s Wonderful*, with *jaunty Stacy Caddell*; *this is the* right title for Frame, who always looks as if he thoroughly enjoys dancing, even when, as in *Agon*, his all-American sunny smile has to be banished.

While 13 dancers represent a bare remnant of New York City Ballet, eight dancers constitute the whole of Murray Louis's company, which appeared a week *earlier*. They nevertheless commanded the Taormina stage without difficulty. Louis is much in demand on the Continent: his *Schubert*, in which the choreography matches the "Trout" Quintet without subservience, is going into the Paris Opéra Ballet repertory next year, and an Italian tour is on the horizon. Enterprisingly, the Taormina Festival commissioned a new work for him. *The Station*, to Kurt Weill music from *Dreigroschenoper* and *Mahagonny*, turned out a tellingly dramatic piece, with a group of would-be travellers at a German railway station between the wars convincingly representing a time of decadence, uncertainty and danger.

While the choreography and its unexceptionable interpretation lay at the centre of the 30-minute work, considerable assistance was afforded by Frank Garcia's costumes and Lance Rosenthal's brilliantly *inventive lighting*, which audaciously projected the grim outlines of the station's structure on to the august ruins of the theatre. At the end of the work, the long-awaited train is heard whistling through the station without stopping. A dark work, then.

Apart from two earlier piano recitals, live music arrived at the Graeco Roman Theatre with the National Symphony Orchestra of Washington, which opened at Taormina its European tour with Mstislav Rostropovich. London and Dublin will follow. At the Taormina press conference Rostropovich told a nice story about Prokofiev and a misunderstanding with Lavrosky over the orchestration of one of the dances in Romeo and Juliet. His thrilling account of the Death of Tybalt from that ballet, given as an encore after the second concert, is all too unlikely to be equalled at ballet performances.

Dejanice/Lucca

William Weaver

The composer Alfredo Catalani was a near-contemporary of Puccini, but he began his career more rapidly, and thus when Puccini was still a student at the Milan Conservatory, Catalani's *Dejanice*—the composer's third opera—was being performed at La Scala. To Catalani's dismay, his younger colleague (like Catalani, a native of the musical city of Lucca) soon caught up; and in the space of a decade, Puccini's towering gifts, his *immense successes, had* virtually wiped Catalani off the musical map.

Shy, sickly (he died in 1893, aged 39), Catalani during his lifetime and after his death always had loyal friends and supporters. Toscanini in the lead. And his music—when we are able to hear it—is always enjoyable, usually tasteful, *well-made*. Its *only fault is* that it lacks real distinction; it is good, but not great. Despite the efforts of his fans, Catalani seems doomed to remain a footnote in the history of Italian opera, while Puccini—whom he came to dislike intensely—is a whole, glorious chapter.

Lucca, their joint birthplace, has always had a special partiality for Catalani, the underdog; and the city long bore a grudge against its most famous musical son. The animus was returned, and once Puccini left Lucca (with a friend's wife), he never lived there again. The programme of the brief autumn opera season at the lovely little neo-classical Teatro del Giglio naturally includes a Puccini opera, *Tosca*; but the gala opening earlier this month was a revival of *Dejanice*, missing from Italian opera-houses for over half a century.

A live hearing of the piece is not going to reverse the verdict of history. Writing to his mother, the 25-year-old Puccini reported, "people aren't very excited about it. But I say that, artistically speaking, it's a beautiful thing . . ." I think this is a fair report on the Lucca reception. It was impossible not to enjoy some of the colourful, pseudo-Oriental music (the story is set in Syracuse in the 4th century BC) especially for the dances. But Catalani was not a great inventor of tunes; the orchestra is always more interesting than the voices. Still, the last-act trio (tenor hero, and two sopranos, one a good girl, one a bad girl) was affecting. Unfortunately, an earlier duet between the two women was cut, perhaps because the interpreter of the title role was a last-minute replacement for the ailing Olivia Stapp.

This Dejanice was the beautiful young Carla Basto, who revealed a warm, flexible voice, perhaps just a shade light for the part; she was a good foil for the Argelia of Maria Luisa Garbato, who sang with suitable purity of tone and welcome precision both in enunciation and intonation. The Admeto of Ottavio Garaventa lacked impetus and charm. The baritone René Massis (Dardano) and the bass Carlo Zardo (Labdaco), though not outstanding, were more at ease vocally. The chorus (coop. Artisti del Coro Associati) was numerous and vigorous. The newly-formed orchestra of the Teatro del Giglio, used also for symphonic concerts, is promising, but the brass—prominent in Catalini's orchestration—was not always up to the assignment. Jan Latham Koenig showed with his conducting of Puccini's *Edgar* at Montepulciano two years ago his feeling for music of this period, and he led a totally convinced performance; things moved at the right pace; obvi*ously he drew the best from all* of his forces.

Aldo Trionfo's staging was, for the most part, idiomatic. The dances were a problem, and it cannot be said that the choreographer Anna Maria Vitali really solved it, nor were Giorgio Panni's costumes a help. (Why should the heterae be dressed as if for *My Fair Lady*, while everyone else was wearing more or less conventional BC-Greek costume?) Panni's sets were more successful; and all in all, the production was pleasant to look at, as it was pleasant to hear.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Sept 20–26

Theatre

NETHERLANDS

Amsterdam, Carre Theatre: Ik Jan Cremer, a new rock opera charting the amorous exploits and general hell-raising of the Dutch *enfant terrible* of the 1960s. Directed by Franz Marijnen from a script by Lennart Nijgh and Louis Ferron, with score by Gerard Stellaard and Peter Tuinman in the title role (Tue to Thur). (225 225).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (231 1211).

A Chorus Line (Shubert): The longest-running musical *ever in America* has not only *supported* Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the *play's lopsided reputation* and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key *factor. (836 8888)*.

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. Last perfs Sept 30, Oct 1. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia. Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. *(928 2252)*.

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

Guys and Dolls (Prince of Wales): The *1982 National* Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Saleroom/Antony Thorncroft

Littlecote armour deal

The Armories at the Tower of London and Mr Peter de Savary have reached a deal whereby the collection of Cromwellian armour at Littlecote, the Berkshire *house recently acquired by* Mr de Savary, will be preserved for the nation.

Mr de Savary will adjust downwards the price he is asking for Littlecote *if* the potential buyer agrees that the armour remains in the place it has held for over three centuries. If there is no purchaser for the house the armour will form the basis of an appeal by the Armouries from October 1, at a very reasonable price: in the region of £500,000.

Whatever happens it is unlikely that the planned Sotheby's auction of the armour, on November 20-22, will go ahead, and the Armouries in the Tower will make an effort, with Mr de Savary's approval, to acquire the armour for the nation even if a buyer *comes forward* for Littlecote and its contents.

*

Christie's opened its autumn season in its King Street saleroom yesterday with an English and foreign silver auction which totalled £154,018. But it was 16 per cent unsold, a high figure for a silver sale.

London dealers were the main buyers, obviously stocking up after a good summer selling to foreign visitors. Kopman paid £8,100, double the top estimate, for a George III silver *gilt tea and coffee* service made in 1800 by Samuel Hennell, and £4,320 for four George III boat-shaped two-handled sauce tureens and covers by John Emes, 1798.

Partridge bought a George II silver guilt two handled cup and cover, made in 1738 by Benjamin Godfrey, for £7,020 (also well above forecast). It carries the arms of Baron Annesley, the 6th Earl of Anglesey, who is remembered as "a man very regular in devotion" but "his devotion to the fair sex certainly equalled if it did not surpass his spiritual devotion." He was probably a bigamist.

Another dealer, Silverman, paid £4,536 for a large Victorian Albany pattern table service, and Simons acquired a pair of oval meat dishes for £4,014.

In the first session of a four part book sale six maps by Abraham Ortelius, Antwerp 1587, made £1,760 and 78 lithographed costume plates of the inhabitants of South America, around 1850, realised £1,595. Charles Empson's "Narratives of South America," 1836, with 1ℓ plates, went for £1,540.

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Why the IMF is unpopular

THE policeman's lot, as W. S. Gilbert explained in song, is not a happy one; and the International Monetary Fund, which is the nearest thing we have to *a world financial policeman, has* in the past been fairly resigned to this fact. Indeed, its officials pretty convincingly make a virtue of unpopularity; beleaguered governments in debtor countries are thought to find it easier to take necessary but unpopular measures if they can blame the fund. Nevertheless, there is a note of quiet desperation in several passages in the fund's current annual report, published today. The fund is only too aware that some potential clients, expecially in Latin America, are increasingly tempted to defy it in order to sustain popular support at home. The report does its best, unusually, to stress the fund's benevolence, discussing economic welfare as well as rectitude, and lobbying for *more*.

It seems unlikely that these reminders will deflect any of the hostile rhetoric to be expected a tthe annual meeting in Seoul two weeks from now; the world situation is getting more difficult for debtors as the U.S. economy slows down, *despite all the efforts which the* funds has orchestrated in the last three years, and tolerance is wearing thin. It still seems highly unlikely that any client country will actually walk out of the organisation, or unilaterally renounce its obligations in the immediate future, but that danger will certainly grow if the meeting produces no hint of the kind of progers sthe fund want. This includes better balanced policies in the developed *world*, the removal of protectionist threats against the poorer countries as well as outright aid for the poorest, and anlarged capital for the World Bank.

Deflationist

These are all admirable aims: but unfortunately the fund has much less power to achieve them than it has to impose its usual unpopular litany of *adjustment policies on the* poorer debtors. This deflationist bias, of which the fund has been accused again and again down the years, is a natural con*sequence of its role*; countries in need of balance of payments assistance are those which have been spending too lavishly, and in spite of all the grumbling, *the adjustment* is normally much less painful with fund assistance than it would be without it.

Conditions, however, are not at present normal. As the report forcefully points out, the cost of debt throughout the world is currently being inflated by the vast credit demands of the world's strongest economy, the U.S. America is one debtor which the fund seems powerless to influence; hence the IMF is increasingly seen at the moment not as an adjustment agency, but as a debt collector for western and predominantly American banks. Since debt service burdens, at current levels of debt and real interest rates, are so large, many debtors now begin to suspect that it would be less painful to be cut off *from new capital—not available* at the moment—than to go on paying.

Dangers

This is a potentially dangerous situation, and it is a pity that the fund's bureaucratic language and inhibitions tend to muffle the warnings that are evident between the lines of its report. Its regular consultations, under Article IV, with all its members, which are described *in an admirably lucid and constructive section*, could provide the framework for much better co-ordinated policies in all the major economies, giving proper weight to the impact of policies on other countries and on world trade as a whole.

The fund naturally tries to *achieve this kind of progresss* through quiet diplomacy, as does the OECD in its smaller sphere of influence. Bodies which depend on finance from member governments and a flow of confidential information are virtually bound to behave in this way. But when the imbalances in policy are as extreme as at present, and the consequent dangers so great, it is tempting to suggest that the fund could hardly lose in*fluence with the strong countries*, and might gain a more patient hearing among the weak, if it would thump its pulpit a bit harder.

The Militants of Liverpool

LIVERPOOL, Britain's fifth largest city with a population of just over half a million people, is in deep decline. The city has more than its fair share of Britain's urban problems—dereliction, *rapidly* shrinking manufacturing industries, large-scale unemployment, decayed housing.

On top of all that its citizens are facing a form of local government which its proponents see as Trotskyist in inspiration. It is leading to a crisis which could bring the entire city and its services to a halt. If the council pushes on with its present strategy it will run out of cash within days.

Schools will close, garbage will not be collected and those people most in need of the council's care—children, the old, the disabled—could ultimately be abandoned by councillors reneging on their statutory responsibility to look after them.

Since Labour won control of the city in 1983 a small group of left-wingers, mainly Militant Tendency supporters, who hold the key positions of power, have been engineering a crisis. Confrontation with the Government is the policy to which everything else including the welfare of their citizens appears to be secondary.

Problems

The strategy has been to set an illegal deficit budget and then blame *the shortfall* of cash on the Government by saying that Liverpool's ills are the result of cuts in grant and penalties for overspending. This year Liverpool set a budget of £265m, which it was perfectly free to do, but then deliberately and illegally levied a rate too low to cover expenditure, leaving an unlawful net deficit of around £100m.

Now, barely half way through the financial year the money is about to run out, leaving no wages for 33,000 council employees and services will quickly stop. The current spate of sympathy strike ballots by council unions are not strictly relevant; whether the unions strike or not Liverpool is about to run out of cash unless it alters course or the Government gives in and ships sacks of Danegeld up the Mersey.

In the welter of claim and counter-claim, *two facts stand* out. Whatever problems ensue, they are the problems of the elected councillors of Liverpool who, once elected, have both a civic and a statutory obligation to serve the interests of all their citizens. Second, the financial crisis need persist for not a second longer than the city's Labour leaders desire.

There are several ways to solve the problem, all known to the councillors and their finan*cial officers, who need only to* be given the nod to engage in legitimate creative accounting or to make changes to the structure of the capital programme.

It is important that the people of Liverpool understand clearly that solutions exist and th power to implement them *rests — rightly — in the hands* of the council leaders.

Propaganda

It is neither necessary nor desirable, therefore, for the Government to intervene, and Mr Kenneth Baker, Environment Secretary, has rightly indicated his *determination* to keep out.

However, if Liverpool's leaders are determined to abdicate all responsibility for their city, there will come a time when the Government may have to take action to protect the health and safety of the population. This needs to be intervention of last resort and should be confined to specific responses to specific emergencies.

What is not required is dramatic government intervention, such as emergency legislation to put commissioners into City Hall to run Liverpool. That *would provoke local hostility on* a grand scale and would probably be unworkable while giving the Militants just the sort of propaganda coup they *should be denied*.

The Militants, carefully orchestrating their crisis to coincide with the Labour Party Conference, should be ostracised by both *Labour* and the TUC. This would leave them to get out of their own mire and long-suffering Liverpudlians to express a view of it all in next *May's local elections*.

UK financial supervision

The risk of conglomerates slipping through the net

By John Plender

THE TWIN pressures of liberalisation and financial scandal have prompted a flood of improving literature from the regulatory authorities in Britain's financial markets over the past nine months. But there has been one notable omission, which is causing concern in some parts of the City.

As yet, no one has produced an overall blueprint for the supervision of financial conglomerates, despite the fact that crucial boundaries between banking and securities, and between jobbing and broking on the Stock Exchange, are to be dismantled next year.

This is far from being an oversight on the part of the authorities. Indeed, in a speech last week, the Deputy Governor of the Bank of England, Mr Christopher McMahon, argued that the *blurring of distinctions between* institutions that had traditionally been regulated by different agencies maintaining little contact with each other constituted one of the most complex problems facing bank supervisors. The delay arises only because nothing can be done until the financial services Bill, due in November, spells out the powers and obligations of the new regulatory bodies outlined in January's White Paper on investor protection.

But it is not just the tight timetable that contributes to unease in the markets. The historic experience of financial *conglomerates suggests* that they have an uncomfortable way of multiplying risk. Trouble in one subsidiary tends to cross-infect another; any resulting loss of confidence in the banking subsidiary can then spread the contagion outside the group, administering a destabilising shock to the whole financial system.

In spite of this experience, and rather at odds with Mr McMahon's cautionary words, *the Bank of England* and the Government have been fostering deregulation in the City on a scale and at a speed attempted in no other financial centre. The City revolution has turned London into the adventure playground of the international banking system, in which foreign financial institutions can experiment with all the business and product combinations that are off-limits back at home.

The question is whether the supervisory authorities are up to the challenge. Could a failure in prudential control lead to shocks that undermine international confidence in London's markets?

The positive side of the equation is that the conglomerate problem is not new. The boundaries between commercial banking, investment banking and insurance are already far less rigid than in the U.S. *Sir* Nicholas Goodison, chairman of the Stock Exchange, points out that he already regulates conglomerates and is prepared to extend *what he calls* the exchange's "umbrella of regulation" to areas like fund management into which stockbrokers have already diversified.

In the interim period before the Government's new system of self-regulation within a statutory framework comes into *effect*, the Bank of England is also busily crossing regulatory boundaries to cope with conglomerate moves: the Old Lady informally vetted the dealing *rules* of Robert Fleming and European Banking Corporation before they started to make markets in British equities outside the Stock Exchange.

The Bank is nonetheless acutely aware that in the new climate firms are moving from businesses they understand to *ones in which the risks* are unfamiliar — as indeed are the supervisors. The trend is bound to continue because new technology and deregulation not only enhance the attractions of convergence between different types of financial business, but often make it a *defence necessity. And in a low growth world* the financial services sector looks an increasingly attractive area to acquisitive industrialists.

The key to prudential control of the conglomerates is generally reckoned to lie in capital adequacy. And some leading *practitioners* in the City believe that financial conglomerates could best be monitored by a single, conglomerate supervisor taking a view of the whole, consolidated group. Yet this remains anathema in the Bank and in Whitehall, where the preference is for regulation by function: separate activities such as deposit-taking, market making or insurance will be isolated in separate companies with their own "dedicated" *capital*.

As well as authorising these companies, the various *supervisory* authorities will impose requirements for capital adequacy or liquidity commensurate with the risks being run *in each individual component* of the business. These will in turn be buttressed by requirements to segregate clients' funds from those of the business, by compensation funds and by parental comfort letters.

The inherent snag in this approach, as Mr McMahon himself admits, is that it does not necessarily prevent a loss of confidence in a non-bank subsidiary spreading to depositors on the banking side. It also *gives rise to problems* of underlap and overlap, where different authorities unwittingly let things fall through the cracks or tread on each other's toes. The number of cracks will diminish next year when the City's new watchdogs, the Securities and Investments Board (SIB) and the Marketing of Investments Board (MIB), introduce minimum standards which self-regulatory organisations and directly authorised businesses *will be required* respectively to match and observe. Yet the supervisors still face numerous hurdles.

The first concerns timing. By spring next year outsiders who bought into Stock Exchange firms will be permitted to take their stakes up to 100 per cent. Many will have teams of people in place and ready for the brave new securities world long before the Big Bang does away with fixed commissions on *securities transactions later* in the year. With the conglomerate racehorses champing at the bit, the supervisors' authority will be tested.

Then there is the familiar problem that arises where con*glomerates combine* financial and industrial interests.

And there remains the vexed question of how to draw the huge, unregulated Eurobond market into the net without giving participants a strong incentive to pack their bags for more benign off-shore havens.

> The City revolution has turned London into the adventure playground of the international banking system

As for potential overlap, the cost of comprehensive investor protection is a multitude of new watchdogs and self-regulators. Sir Kenneth Berrill at the SIB is anxious to limit the number of investment businesses that he authorises directly. But he acknowledges that there is bound to be some untidiness in the shape *of multiple* supervision.

The extent of the multiplication will not become clear until the two new City bodies have issued their list of approved self-regulatory organisations. But it is already apparent that for the most basic banking and *securities* conglomerate, no one self-regulatory organisation will be able to do the whole job. For a group involved in deposit-taking, gilt-edged market making, market making in British equities, market making in international equities and Eurobonds, futures dealing, unit trusts and insurance, the new system could easily throw up half a dozen "frontier" problems.

For the conglomerates themselves, this raises the spectre of excessive and costly reporting requirements. Many dislike the emphasis being accorded in the new system to dedicated capital, locked into a single unit of the business, because they see it as an inefficient use of capital.

There is also hostility in the City to the January White Paper's demand for segregation of clients' funds from *the funds* of the business itself, and not just in hitherto under-regulated commodity markets. Sir Nicholas Goodison at the Stock Exchange questions whether total segregation of funds is always necessary in stockbroking and believes that it would be difficult to implement.

In general, practitioners would prefer to see less emphasis on segregation and more on compensation funds. This is certainly understandable in the case of the Stock Exchange, with a good record on investor protection and a big, existing fund (on which individual claims will, once members are allowed to deal as both agent and principal in the new system, be limited to £¼m). But for newer self-regulatory organisations, setting up a worthwhile fund carries a potentially high cost for the members.

On the other side of the fence, *meantime, supervisors could* also be ambushed by paper. Daily reporting in the gilt-edged market will, according to one top broker, require them to look for needles in haystacks.

Clearly co-operation and coordination will be vital, both within diverse institutions like the Bank of England and between regulatory authorities. This will not be easy because two self-regulatory organisations covering similar activities are not required to produce identical rules in seeking to satisfy the new City bodies.

To reduce the reporting burden and potential conflicts the SIB has been working on a concept of "lead" supervisors, chosen to confront the major function in a given conglomerate. Even if reporting requirements can be pruned in this way, the supervisors nonetheless remain encumbered with full legal responsibility. There are, meantime, complex trade-offs between capital adequacy, compensation funds, segregation of client funds and promises of parental support. If client funds are properly segregated, for example, compensation becomes a less pressing priority. The SIB is not anxious to *impose heavy restrictions* on trade or professional business, notably in future and commodities markets. When licensed businesses deal directly with each other, *the rules will be* less demanding.

At the end of the day an unconsolidated approach to the regulation of conglomerates is unlikely to work unless someone also looks at the capital adequacy of the parent to see if it could or would stand behind *troubled subsidiaries*. By virtue of controlling two of the City's more tempting markets, the Bank and the Stock Exchange enjoy enough leverage to demand to "*look through*" subsidiaries to the balance sheet of the parent, in order to assess whether guarantees and comfort letters provide genuine support.

In practice, though, such leverage did not help much at Johnson Matthey Bankers. And the problem is further compounded by the international nature of many of the new City conglomerates. Where the parent is a foreign bank, the central bankers' carefully con*structed safety net* is in place. Whether attempts to bring non-bank parents into the net will work remains to be seen.

Success or otherwise in staving off shocks to the financial system in 1986 will hinge, ultimately, on the quality of judgment and the vigour of individual supervisors. The recent record of the Department of Trade and of the Bank of England does not, it has to be said, inspire any great confi*dence; and the smaller* self-regulatory organisations will take on their responsibilities in the new, liberalised environment with minimal experience of regulation.

Small wonder that some supervisors are talking about damage limitation; regulatory disaster can rarely before have been forecast so vociferously and so often. But from the point of view of the architects of the City revolution at the *Bank of England and in the* Government, that is a price that has to be paid if London is to play a significant role in the international securities business and retain its position as an international financial centre. One more area of British life, in fact, where the proponents of Tina (There Is No Alternative) have won the argument.

Men and Matters

Thirsty work at the barricades

Liverpool's confrontation with the Government over its council's spending has provided a welcome boom in trade for *certain favoured city pubs*.

Leading Labour councillors joined Militant Tendency supporters (including Ian Lowes, prime organiser of the planned strike by 30,000 council workers) on Monday night for a lengthy drinking session in a pub opposite the council offices. All felt the need for refreshment after hours of talks with regional union officials.

So far, however, the prime beneficiary among Liverpool's licensed victuallers has been Jean Hodges, manageress of the Cross Keys—just 20 yards from the Liverpool boxing stadium where the largest trade unions have been holding their mass meetings.

Hodges found her public bar swamped on Monday by members of the General Municipal and Boilermakers' Union, who had spilled over from their mass meeting. So brisk was her trade that the pub ran out of beer halfway through the lunchtime session.

She faced a different problem yesterday when it was the turn of the white-collar union Nalgo *to hold its mass meeting*.

True to their stereotype, the Nalgo people were modest beer-drinkers—but drank the pub dry of white wine.

Well suited

A new man at the top of IBM's British subsidiary is a rare event indeed.

Sir Edwin Nixon, aged 60, who has announced his intention to retire in January, and become non-executive chairman, has been at the helm for 20 years.

Now Tony Cleaver, aged 47, another IBM man to his finger-tips who has been with the company for 23 years, is to *move up from general manager* to become the next British chief executive.

In a company which knows what it wants of its managers — *and has even been reputed* to specify the exact shade of grey for their business suits — Cleaver is unusual as a Classics graduate in a high-*tech world*.

After school at Berkhamstead he read Classics at Trinity College, Oxford, before joining IBM in 1962.

Since then a thread has run through his career of trying to relate the business world, and computers in particular, to the wider community. For two years until 1980 he was a director of the government-backed National Computing Centre in Manchester, and he is a director of Business in the Community. He is also a member of the council of Templeton College, Oxford, which was formerly the Centre for Management Studies.

Off duty he is a keen cricket follower and an MCC member.

Colour-blind

A Cabinet Office report yesterday refers to the "typically drab appearance of government offices."

But one Whitehall department, approaching year-end with spare cash in the kitty and determined not to hand a penny back to the Treasury, decided to redecorate recently.

The management's efforts drew the following response from one of the department's more senior officials: "May I, on *behalf of myself*, my staff, and all who dwell on the third floor, express our deep appreciation of the departmental decorations?

"I am not *qualified* to comment on the quality of the paint used or on the standard of workmanship. But the Picasso blue of the walls combined with *the* dark brown and mental hospital-green of the paintwork is worthy of Dali in his sightless period.

"It is a matter of some *moment to me that my* approaching retirement will prevent my seeing how the colours mature.

"Perhaps you would be so kind as to pass on my comments to whoever is so generously paying for these works."

Glengarry

Welshman Gareth Jones—who coined the phrase "Silicon Glen" in the 1970s to catch the headlines for Scotland's nascent electronics industry—has joined accountants Ernst and Whinney to head the firm's management consultancy group. His brief is quite simple: expand.

Jones, 52, is a short but cheerfully expansive man. He resigned from management consultants Booz Allen earlier this year "to take personal stock." He had been with the firm for 16 years and was the first non-American elected to its board in 1981.

But a six month study of Asian Pacific for Standard and Chartered Bank convinced Jones that he did like the consultancy business after all—"you earn your reputation by results"—and he gratefully accepted Ernst and Whinney's challenge.

From what you might call a typical Welsh background—"Born in Gwent, 23 choirs, 24 chapels and 25 pubs"—Jones spent six years as a teacher after university.

He took another, part-time, degree in psychology, and suddenly found his horizons widening.

A thesis survey of sixth-formers suggested that the UK was heading for a big shortfall in engineers. Jones contributed two articles to New Scientist, two papers to the British Association, and enjoyed a *brief spell as a media personality* as events confirmed his predictions.

He joined Esso in personnel research, moved to marketing, *took evening classes in eco*nomics—"a very good educational tool, no one should allow themselves to be mystified by the subject"—and was director *of Esso's profit improvement* group when Booz Allen recruited him in 1969.

It was with Booz Allen that Jones played a major part in the 1970s devising the Scottish Development Agency's strategy for building an electronics industry north of the border.

"We recommended the SDA to sell Scotland on its educational and technological strengths. The secret was to get companies to establish their research and development in Scotland. Once that investment is made, they are not going to switch somewhere else in a hurry."

Not surprisingly, Jones finds a lot of satisfaction in the fact that Scotland now has 40,000 people employed in electronics —"more than in coal, shipbuilding or textiles."

Bricks dropped

A West German, Dieter Drabiniok, decided yesterday that he could stop defections to the communists by state employees more effectively than the security forces.

The Bonn bricklayer set out with a barrow of bricks and some mortar to the Bonn Chancellery. His intention was to build a wall round the office of Chancellor Helmut Kohl. A secretary in the Chancellery was among recent defectors.

The police stopped Drabinick when he was 50 yards from the proposed line of his wall. The joke had gone far enough, they told him.

Drabiniok argued, "The wall might not do much good. But it couldn't be any worse than out counter-intelligence."

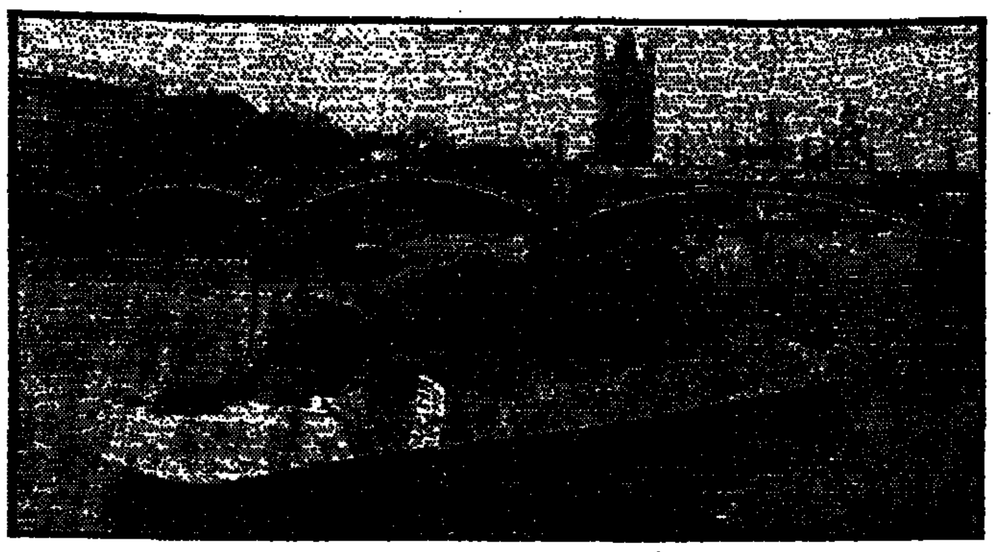
Boss man

Every time the new president of intercontinental operations at Regis McKenna introduces himself, he reinforces his authority.

The newly-created post at the worldwide marketing and communications company is held by Bruce LeBoss.

Observer

NUCLEAR WASTE



Roger Taylor

Friends of the Earth supporters take part in anti-nuclear protests in London yesterday

The 'refuse collectors' step forward

By David Fishlock, Science Editor

NEW IDEAS are emerging in discussions on the disposal of radio-active waste. Several countries with wide open spaces and a need for foreign currency have offered to act as refuse collectors for the congested European communities. And Nirex, the agency charged with managing the disposal of most British waste, has said it is considering compensation for communities hosting its new repositories.

For the least dangerous types, the ocean deeps are the most convenient method of disposal, and also the safest, as the London Dumping Convention confirmed at its meeting in London yesterday.

But Egypt, Sudan and China have all offered their deserts as waste dumps. The Soviet Union has offered to store radio-active waste for Austria, to encourage that country to use its mothballed Swentendorf nuclear plant.

'Britain's Nuclear Industry Radio-active Waste Executives is debating whether the compensation should go to the community, or to individuals whose homes or businesses may depreciate in value.

The basic truth of Mr Michael Heseltine's assertion when Environment Secretary in 1981, that nuclear waste is a simply management, and not scientific or technical problem, is now beginning to be realised. There is a market price to be set for any inconvenience — real or perceived — which attends the safe management of the radio-active wastes.

The idea of becoming a "nuclear dustbin" for other nations' wastes arouses strong passions in countries such as Britain and France. Both have obliged their overseas customers for the reprocessing of spent nuclear fuel to sign contracts agreeing to take back the most highly radio-active wastes, but not the larger volumes of less radio-active wastes from the process.

Instead of sending their spent fuel to Britain or France—the only two nations operating commercial reprocessing factories—countries can simply store their spent fuel. As stored, the fuel is effectively a mixture of several kinds of radio-active waste, including the most deadly ones.

The technology to store spent fuel for long spells—several decades at least—is highly developed. Sweden, for example, has just begun to load its spent fuel into CLAB, a £150m underground repository hewn from solid granite at Oskarshamn in south-east Sweden. Nuclear power accounts for over 40 per cent of the electricity used in Sweden, and some 300 tonnes of spent fuel a year will be stored under water in CLAB, until further decisions are taken by the government whether to reprocess it or bury it permanently elsewhere in Sweden.

West Germany has developed a different interim storage system for its spent fuel. It plans to reprocess and recover the unburnt uranium and plutonium. But in order to keep its reactors running while they build a reprocessing plant of their own, they are storing spent fuel dry, in 70-tonne cast-iron casks.

This system for temporarily storing spent fuel has provided China with a convenient way of pursuing its offer, made *early last year, to store nuclear* wastes for West Germany and Switzerland.

Now the Chinese have made an offer the Germans probably cannot refuse. They have offered to take casks of spent fuel and stack them in the Gobi Desert.

The Chinese are ready to take up to 1,000 tonnes of spent fuel, as part of a barter deal in which they hope also to exchange uranium and non-ferrous metals for pressurised water reactors from Kraftwerk Union. Two senior German nuclear engineers—Dr Klaus Messer of RWE, its biggest electricity company, and Dr Carsten Salander a director of DWK, which manages the disposal of spent fuel and nuclear wastes in Germany—laid the basis for the storage plan on a visit to China late last month. A Chinese delegation will follow it up in Bonn next month.

For Germany, the scheme has the obvious attraction of giving KWU an edge over its rivals Framatome (France and Westinghouse U.S.) in providing the PWRs China wants to order.

But another important attraction for Germany is that it is another option for ridding itself of radio-active wastes. In order to get a licence to operate a new nuclear station, the company is legally required to show that it had made adequate provision to dispose of its wastes. Opponents of nuclear power therefore focus their efforts on preventing the storage and reprocessing of fuel.

Fuel sent to China will become the property of China, to be reprocessed or permanently buried, as the Chinese see fit. It will be well beyond the reach of the anti-nuclear campaigners like Greenpeace and Friends of the Earth.

Nevertheless, the Chinese store will have to be operated under international safeguards and regularly inspected by the International Atomic Energy Agency to verify that no plutonium is being diverted into the Chinese nuclear weapon programme. China joined the agency last year, but has yet to agree to international inspection.

The idea is to start with a contract for 150 tonnes of spent fuel. This is considered enough to test the principles of storage, transport and safeguards on a realistic scale, but not so much as to raise major problems with countries which originally supplied West Germany with nuclear fuel. But Switzerland *may add another 50 tonnes.*

The question of what price should be put on this service by China was first approached by assuming that the Germans might pay the going rate for reprocessing. In the latest discussions, however, it is being stressed by the Germans that the rate they are willing to pay is nearer the estimated costs of reprocessing for the second decade of the life of the new factories. This is put at only two-thirds of the price during the first decade, when the capital cost has been written off

More options for disposing of nuclear waste are also needed in Britain. Nirex's disclosure that it had discovered at Billingham what appeared to be an almost ideal repository for Britain's nuclear wastes sharply focused the energies of anti-nuclear campaigners. The Government was obliged to ask Nirex to look elsewhere, and to tender at least three possible sites for each type of repository it is proposing. All three proposals will then be examined at a single public inquiry.

Nirex once believed that the way to deal with the waste was to seal it up irretrievably, so securely that no-one could harm himself, no matter how hard he tried. This is no longer the case. The pressure now is for accessibility, so that the public can be kept assured that the waste is not leaking.

Until 1976 the anti-nuclear campaigners had concentrated on reactor safety and almost ignored nuclear waste. That year saw publication of the report by Sir Brian (now Lord Flowers) on the environmental impact of nuclear energy, which raised sufficient doubts about public safety to encourage campaigners worldwide to switch their attention to nuclear waste plans. They were undoubtedly helped by various problems at the ageing Sellafield (Windscale) factory of British Nuclear Fuels, widely interpreted in terms of leaks of radio-activity.

Today, radio-active waste is seen by the public generally as a more serious problem than nuclear reactors, says Prof Terence Lee, a psychologist from Surrey University who has done painstaking research into public attitudes towards nuclear energy.

Perceptions differ significantly from country to country, because of the way campaigns of opposition have been focused. Several countries — France, Japan, Italy, for example — have offered inducements of one kind or another including cheaper electricity, to help persuade people to accept nuclear activities.

There is already a precedent in Britain. BNFL is helping restore Georgian buildings near Sellafield and building a *£600,000 sports centre.*

Prof Lee goes further. His findings suggest not only that the British public now demands accessibility to the waste, to see that nothing is leaking, but that one person in every two believes that neighbours of nuclear repositories should be compensated as individuals.

The forthcoming public inquiry into Britain's next radio-active waste repository could well be asked to determine a fair compensation for neighbours of the chosen site, which Parliament would thereafter see was paid.

UK university admissions

Why September is such a cruel month

By Jonathan Steinberg

SEPTEMBER is the cruellest month for thousands of university applicants and their families. The official statistics *(see panel) show why.* They were supplied in a written parliamentary reply on June 3, by an official at the Department of Education and Science.

Since 1978 the number applying to universities has risen by just over 10 per cent and the number accepted has fallen by nearly 4 per cent. Those sums add up to a lot of unhappiness and disappointment.

As it happens, my eldest son was a number for 1984 in the left-hand column but not in the right. Both he and his girl friend failed to meet their conditions, and this time last year our house was full of that peculiar gloom and helplessness which afflicts the failures in our restrictive system of education. Should they retake? Could they retake? Was there anybody to give them advice? In the end, both retook and, I am happy to report, go off next week to universities of their choice.

Of their immediate circle of friends, ten in all, only one made it last year. Three decided to resit A levels, two succeeded (my son and his girl friend). The third dropped out and took a job. Here is an account of the seven others: one has emigrated to Australia. One is on the dole. One works in a garage. One does voluntary social work. One has simply disappeared and one has begun a day-release course in electronics. If any business systematically wasted 70 per cent of its raw material the way our educational system does, it would soon be bankrupt.

The waste is the greater because so few ever get to A level. According to Brian Simon in his recent book *Does Education Matter?* roughly 10 per cent of the age cohort achieve five or more O levels. All ten of my son's friends fell into this academic elite category, and the system has simply discarded them. It is rougher on those who try to return later. There is no money for persons who later in life wish to take A levels for the first time; for those who fail or fail to meet conditions, our system closes off opportunity.

It seems to me that the time has come to call a halt to this massacre of the innocents and begin to think hard about what we allow society and its institutions to do to the young. As a helpful first step I offer a distinction drawn by Marzio Barbagli, one of Italy's leading students of education. He writes that there are open systems which run the risk of producing too many qualified people for the available jobs. This is the situation typical of rapidly developing societies in the third world. Then there are closed systems which restrict access to higher education. They in turn risk producing too few qualified people.

The British educational system manages to try to do both at the same time. Despite shrieks and groans, comprehensive secondary education—an open system—now dominates its sector, but tertiary education is the most restrictive in Europe and government policy has made it more. Something has to give. Brian Simon quotes an interview with a senior civil servant in the Department of Education and Science who offers the mandarin solution:

"In some ways this points to the success of education in contrast to the public mythology which has been created. When young people drop off the education production line and cannot find work at all, or work which meets their abilities and expectations, then we are only creating frustration with perhaps disturbing social consequences. We have to select: to ration the educational opportunities so that society can cope with the output of education."

In other words, tighten the valve and keep them out even more rigorously than the system does now.

Readers of this paper need no reminding that the university of Tokyo produces more engineers than the entire British education system or that 90 per cent of Korean students complete high school and more than 60 per cent go on to higher education. Nor will they forget the relative economic growth rates of Japan, Korea and Britain. Yet the DES mandarin has a point. If you offer opportunity to millions of young people in our chid-centred primary schools and our open comprehensive schools and then slowly but relentlessly take it away again, some of them will respond with anger.

Might it not be more humane as well as more prudent to turn back from these restrictive and repressive attitudes before it is too late? We need more places, not less, more opportunity for higher education at all ages not less, and we need them now.

A way to do that would be to open a share of British universities to any candidate who had achieved two A levels at whatever grade. This in effect happens in West Germany and Italy.

A similar system operates in Finland which supports more than twice the percentage of students in tertiary education as that in the UK. Instead of of cutting and reducing higher education, my proposal would expand it rapidly. Unit costs would fall and so would standards. And so they should. Not all students might find a seat in the lecture hall or a comfortable bed-sitting room in a modern dormitory but there would be a lot more of them. September might not then be so cruel a month.

Brian Simon, Does Education Matter? London: Lawrence and Wishart, 1985, £5.95.

The author is a fellow and tutor at Trinity Hall, Cambridge.

Applicants and acceptances through the Universities' Central Council on admissions scheme for universities in the UK.

	Applicants	Acceptances
1978	157,505	80,530
1979	166,362	82,398
1980	168,354	84,695
1981	167,096	80,341
1982	171,496	77,752
1983	172,738	74,860
1984	173,674	77,431

Letters to the Editor

High land prices

From Mr D. Harrison

Sir,—I am astonished that David Redfearn (September 21) has joined those who confuse cause and effect. The (so-called) high price of houses would be precisely the same as it is today, should Sir George Young the Environment Under Secretary wave a magic wand to enable developers to buy land for nothing. It is not the price of the land which determines house prices, it is the purchasers' ability to fund the transaction. That ability is extended because of tax relief on mortgage interest.

The way to make house prices more competitive is to remove this interference in the market, albeit on a gradual basis as recommended by the Royal Institution of Chartered Surveyors and the Duke of Edinburgh.

A similar interference on the market exists with the enterprise zones. These were created as a political "back lash" against previous regional development policies. Although developers in enterprise zones are able to produce buildings more economically, the occupants find themselves paying a rental which soon mops up the saving in rates. I do not disagree with this situation, since *I believe in the unfettered* operation of the law of supply and demand. This cannot be achieved while anomalies exist like tax relief on mortgage interest and enterprise zones, among others.

Desmond Harrison,
Fox & Harrison
51 Lower Hall Lane,
Walsall, Staffs.

Heliport on the Thames

From Mr D. Scuse

Sir,—Mr D. L. Stebbings (September 18) repeats the too long discredited myths that helicopter travel is only for the privileged few seeking to save minutes of their precious time and that the helicopter is an unjustifiable environmental pollutant.

An executive's time in today's commercial world is not only money, it is of the essence, and the maximum flight time of 10 minutes by helicopter at 8 am from Heathrow to the City surely compares favourably with the 1½ to 2 hours by road. An overseas buyer with a multi-mililon dollar contract in his pocket can fly to the City, visit several factory sites around the country, do a deal and be back at Heathrow in the evening to catch his flight home, if he uses a helicopter. It is not just "minutes" that are being saved.

And these are not fairy-tale examples. They happen every day, all day, involving 250 commercial helicopters owned by charter companies and major industrial companies transporting directors, salesmen, executives and clients on business—not pleasure. For they are too expensive to buy, maintain and operate to be used merely as prestigious toys. Businesses must watch their overheads and expenses and, if the helicopter does not make economic sense and is not viable, it will not be used.

Indeed, jealous of the City's reputation as the world centre of banking and commerce, the Court of Common Council last year recognised the value of helicopter facilities—a view which is shared by over 50 per cent of the major provincial towns and cities throughout the country who have, or intend to provide, similar facilities.

Mr Stebbings complains of the noise; local planning authority statistics show that a single engine helicopter, typical of those operating in and around the London control *zone, flying at 250 ft, makes the* same amount of noise as a car at 50 ft and less noise than a motorcycle or the ambient noise of main or arterial roads. That is not to say that they do not make a noise, only that they are no noisier than the other day to day sounds to which we have become accustomed. Like the pleasure boats on the River Thames?

Helicopters are being used for the country's financial and commercial benefit and London must and will have, as do all the world's major business centres, both its helicopters and its heliports.

D. G. Scuse,
British Helicopter Advisory Board,
Knowles House,
Cromwell Road,
Redhill, Surrey.

Barristers' fees

From Mr J. Newman,

Sir, — Your Law Courts correspondent (September 18) reports that the Senate of the Inns of Court and the Bar have claimed from the Government an increase of between 30 per cent and 40 per cent of income for barristers acting in criminal cases funded out of the legal aid system, based on an independent survey carried out by Coopers & Lybrand. The recommendation is on the thesis that barristers engaged in this work should be *paid commensurate salaries to* barristers working in Government departments.

May I make an independent suggestion: that the salaries of those employees of Government departments be brought into line with the self-employed barristers, ie that the Government achieves cost savings of between 30 per cent and 40 per cent on those civil servants' pay. Further, *could I suggest* that the Government takes action on the restrictive practices *of* barristers further to reduce the costs of barristers practising in criminal cases.

John A. Newman,
1, Old Burlington Street, W1

Exchange control

From Mr E. Barber

Sir,—Whilst recognising the need for investment in British industry and supporting the concept of a national investment bank, I nevertheless fear that Roy Hattersley's proposals (September 20) contain a fatal flaw, wholly detrimental to the Labour Party's electoral prospects and the credibility of a future Labour Government.

I refer to the suggestion that investment will be financed by repatriated funds generated by a harsher tax regime on overseas holdings. Under the Treaty of Rome, this is illegal in respect of other EEC countries under Articles 3(c), 61(2) and 67(1) and in respect of non-EEC members, is contrary to the spirit of Articles 70(1) and 71.

A letter received by me from Massimo Russo, EEC director-general for economic and financial affairs, said, "It is doubtful whether punitive tax disincentives would be compatible with Community Law."

A subsequent letter pointed out the stipulations of the EEC Council's directives of 1960 and 1962 for the implementation of Article 67 of the Treaty (abolition of restrictions on the movement of capital), which will obviously prevent what Mr Hattersley desires.

Edward Barber,
5 William Paston Road,
North Walsham, Norfolk.

Going to the bazaar

From the Director,
Think British Campaign

Sir,—Your report September 18 that "considerable savings" could be made on the annual defence bill were Britain less committed to buying British is worryingly naive.

It may well be that in certain specific areas defence equipment can be purchased more cheaply abroad. That is, however, not the main concern where the safety of our nation is at stake.

Excellence of design and security of supply should be paramount. Where would be the value of a notional saving when, under attack, we sought spares or replacements from a supplier who had since aligned himself with our enemies?

Might I suggest that economies of scale might be better made by assisting our defence equipment manufacturers in research and development rather than in shopping around the world's bazaars for a bargain?

M. A. Charrington.
43, The Aldwych,
WC2.

Pricing petrol products

From Mr J. Gessler

Sir,—Mr Gibb criticises artificially low tender prices for gas oil to the public sector (September 16). A number of offers for gas oil were made below refinery net back prices in July and August, and we expected schedule prices to rise at the end of the summer tendering season.

Last year's attempt to dismantle the elaborate charade *of high schedule prices* combined with 30 to 40 per cent rebates was opposed by several majors, and has not produced a permanent change. It is doubtful whether another attempt will succeed unless organisations of smaller users can show that the present system is unfair to small purchasers.

The present excess in refinery capacity leads to intense competition for market shares and low tenders followed by higher winter prices are a consequence. It is therefore helpful to know when tenders are considered not only the initial offer but the extent to which different companies have been willing to adjust rebates in the past. Many previous schedule price rises have been eroded in this *manner.*

The tendering system for public bodies has its counterpart in the periodic contract revisions by large companies. One major difference between the public and the private sector is, however, that rebates to private companies are adjusted much more frequently throughout the year. Constant monitoring of the market led to revisions in gas oil rebates nine times between January and September this year.

The answer to the problem is, therefore, awareness of the market situation throughout the year and not only when tenders are awarded.

J. K. Gessler,
FEC Consultants,
63 Queens Road,
Oldham, Manchester.

FINANCIAL TIMES

Wednesday September 25 1985

NEW GUIDELINES MAY MEAN CLOSURE OF 50 PITS

Market to set UK coal output

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

BRITAIN'S state-run National Coal Board yesterday formally ended the practice of planning its output and told the country's three mining unions that the market would now determine production levels.

Mr Ken Moses, the board's technical director, has developed a new criterion which all pits must meet if their future is to be secured. Area directors are now being told that their pits must produce coal at no higher cost than £1.50 a gigajoule, roughly £39 ($56) a tonne. The present average price for the bulk of board production is £44 a tonne.

He said that the board would, as expected, attempt to stabilise production at 90m tonnes a year, though it would retain the capacity to produce 100m tonnes. This is a drop from the 97.4m tonnes which the board proclaimed as a target reduction in March 1984, and which was the main cause of the year-long miners' strike which started soon afterwards.

Mr Moses would give no details on the numbers of pits to shut or men to be made redundant – but most estimates produce a figure of around 50 pits, and 5,000 men, over the next five years. Most of these would go before March 1987, when the Conservative Government had declared the board must break even.

The new strategy, drawn up by Mr Moses, replaces the traditional five or 10-year plans with a planning cycle based on a yearly review involving continuing discussion with area directors.

The fundamental criterion spelled out in a board statement is that pits which show no prospect of maintaining average costs at levels consistent with the prices which can be realised from coal sales will first be given a chance to improve results – then closed if they cannot.

The board also told the unions that its National Smokeless Fuels *subsidiary, which produces fuel for* the steel and home heating markets, was only kept going by large bank overdrafts guaranteed by the board – with the implication that further cuts will be made to its plants and its workforce of more than 4,000.

Mr Moses refused to move from his insistence that the market would decide the industry's size, saying that "through the next five years we are hoping to stabilise the industry at a production level of 90m tonnes. If things improve we will have the capacity to produce more: if things get worse, we will have to review the position again."

In a final stark dismissal of the 1974 Plan for Coal, which had formally governed the industry until this year, the board statement said that "for a variety of reasons, the basic assumption of energy shortages and consistently rising real prices had proved fallacious."

Unusually, the most hostile reaction within the meeting came from Mr Alan Wilson, general secretary of the British Association of Colliery Management, representing the NCB's 15,000 managers. He objected strongly to the absence of Mr Ian MacGregor, the board chairman – on a business trip to China – and told the board that morale was rock bottom and communications bad.

By contrast, Mr Peter Heathfield, general secretary of the National Union of Mineworkers, said only that the new criteria for profitability could mean a "dramatic" cut in capacity. Mr Arthur Scargill, the NUM President, failed to attend the part of the meeting at which the new strategy was outlined, although he had briefly chaired the earlier part of the meeting

Peking appoints six to Politburo

By Robert Thomson in Peking

SIX CHOSEN sons of communism ascended yesterday to the power elite of the Chinese Politburo, completing a series of major leadership changes orchestrated by Deng Xiaoping in an attempt to perpetuate his brand of pragmatism within the ruling party.

Among the six are Hu Qili, 55, and Li Peng, 57, who are apparently being groomed to head the party and government, respectively.

The Politburo appointments are to fill vacancies created last week by the departure of 10 elderly members in the mass resignation of *more than 130 senior officials.* Surprisingly, only six replacements were approved, pruning the Politburo to 20 members, with two additional alternate members.

Most of the replacements are confirmed "Dengists", ready to carry on the economic and social reforms initiated by the Chinese leader' and diplomats say none of those appointed will provide opposition to his plans.

In addition to Hu and Li, the other new members are two vice-premiers, Tian Jiyun, 55, and Yao Yilin, 68; the Foreign Minister, Wu Xueqian, 64; and Qiao Shi, 61, who has been head of the organisation department of the party's central committee.

The appointments again highlighted the decline of the military in Chinese politics. Six of the 10 members who resigned last week had military ties, but none of those chosen yesterday does.

A communique released by the central committee after it gave its imprimatur for the new appointments said the changes were "in line with the principle of furthering the succession of new members to old in the central leading bodies."

The communiqué also announced that three members of the central *committee's secretariat*, responsible for the day-to-day running of the party, had resigned, and five new members has been selected, expanding that body to 11 members. Those five include Hao Jianxu, 50, a former Textile Industry Minister, and Wang Zhaoguo, 44, a former Communist Youth League head. Both had been highly fancied for a *Politburo post.*

Despite a highly critical speech on Monday by senior Politburo official Chen Yun, who confirmed his opposition to the direction in which *Deng is taking China, the communiqué* claimed that yesterday's central committee session was conducted in "an atmosphere of unity."

Diplomats believe that while *Chen's opposition is vocal, his support* with the party is limited.

If the mass resignation is any guide, the central committee meeting would have been pure theatre, *with the newcomers already decided.*

Yesterday's announcement included no news of a replacement in the Politburo standing committee *for Marshal* Ye Jianying, who resigned last week. Officially the "select six" of the standing committee are at the top of the political tree, but for the time being at least, they will be the "select five."

Iraqi bid to 'wipe out' Kharg terminal

By Richard Johns in London

IRAQI AIRCRAFT attacked the Iranian oil terminal at Kharg Island again yesterday, the 11th strike since August 15, in what Western diplomats now believe is a *concerted campaign to wipe out the* facility.

An Iraqi spokesman was quoted by Radio Baghdad as saying: "Our aircraft launched a destructive attack *on what remained of Kharg's* facilities and equipment in order to completely destroy them and keep fires caused by our previous attacks ablaze."

The Sea *Island* terminal, the most important of the two jetties with its capacity to handle four ultra large crude carriers, is still out of action after a particularly effective raid *on Thursday, according to oil* company executives.

Damage was also sustained last week by the main control room and two pumping stations, it has emerged. *Also hit was the large and* very vulnerable tank farm in which, however, only very limited quantities of oil are stored.

At the older T-jetty on the east side of the *island*, six of the *10* berths are operational, according to informed diplomatic reports. The water there is only deep enough to accommodate supertankers of up to *250,000 deadweight tons fully* loaded.

Theoretically, if Iran could charter a sufficient number of tankers and if owners were prepared to allow enough tankers of the optimum capacity to use the facility, it might still be possible to maintain exports close to the 1.6m barrels a day level sustained until recently. This is also *Iran's quota under the Organisation* of Petroleum Exporting Countries' prices and production pact.

In practice, however, the damage to the Sea Island terminal could *prove a devastating blow to* Iran. The facility had been used to load oil for delivery to Sirri Island, a trans-shipment terminal beyond the range of the Iraqis.

Continued raids could make it difficult to carry out repairs

Iraq has now apparently abandoned the constraints urged upon it by other Arab oil-producing states of the Gulf which are apprehensive about an escalation and widening of the five-year-old war.

Warnings of retaliation aimed at stopping the flow of Arab oil from the Gulf have been conveyed directly to them by Iran, according to the most recent edition of the Middle East Economic Survey.

Iran so far has concentrated on intensifying its interference with *dry cargo shipping*, confiscating goods destined for Iraq. Captain Hussein Malek-Zadegan, commander of the Iranian navy, was quoted yesterday by the official Irna news agency as saying that 42 vessels had been intercepted in recent weeks.

Britain heads for cereals glut despite poor summer weather

BY ANDREW GOWERS IN LONDON

THIS YEAR'S UK cereals harvest seems certain to be the second largest on record despite the poor summer weather, according to a preliminary estimate released yesterday by the Ministry of Agriculture.

But farmers are warning that their profits are likely to be sharply down from last year's bumper levels, due both to reduced yields and the generally poor quality of the crop.

For the European Community as a whole there are expectations of a lower crop but a growing surplus. The European Commission estimates that the total cereals harvest will be about 141m tonnes, compared with last year's 150m.

The British Ministry estimates that wheat yields in England and Wales this year are between 6.75 tonnes and 7.55 tonnes per hectare, and those for barley are between 5.3 tonnes and 5.8 tonnes per hectare. Although that represents a fall from last year's 7.7 tonnes, it is still well above the average between 1980 and 1984.

On the basis of cereal plantings in the UK as a whole, the yield figure would imply a total harvest of between 24m tonnes and 26.5m tonnes, compared with last year's record of 26.6m – although yields may be lower in Scotland. The previous largest harvest, at 21.8m tonnes, was in 1982-83.

With about 4m tonnes of grain still in store from last year's record harvest, that means Britain's cereal surplus problem is likely to be worse than ever this season.

Prices on the UK market are currently below the EEC's support price level because of expectations that large quantities of cereals will not pass the standards for official purchase, or "intervention." This means much of the grain is being sold off cheaply for animal feed and flour millers are having difficulty in getting access to material of the right quality.

There are reports of large shipments of milling quality grain being imported from continental Europe.

The UK's wheat surplus problem is worse than in any other EEC country. *Of the 8m tonnes of wheat* in Community intervention stores, the UK's proportion is 61 per cent.

In addition, UK exports are particularly slow this year. According to figures released by the Home-Grown Cereals Authority yesterday, exports of wheat since August 1 have been 7 per cent down on the *1984 level, and those of barley are* nearly 50 per cent lower.

The UK ministry's figures were greeted with some scepticism yesterday by farmers – many of whom are barely *two-thirds of the way* through harvesting because of the late start caused by rain and wind in July and August.

The National Farmers' Union *(NFU)* came up with *its* own estimate that the cereal crop will be at least 13 per cent – or 3.5m tonnes – down on last year, with yields of wheat and barley both substantially *below the ministry's figure. It* cautioned that yields of the later-harvested crops may be lower still as a result of sprouting, and that the weight of grain sold off the farm will be markedly lower than the harvested quantity because of losses during drying.

Mr Patrick Tory, chairman of the NFU cereals committee, said: "For many individual arable farmers, the 1985 cereals crop harvest has been a disaster. Returns have been slashed not only by low yields, but also by low quality and by prices 20 per cent below the levels two years ago, and very heavy harvesting and drying costs."

New allegations against Hernu highlight role of French press

Continued from Page 1

nisation but without specifying how it should be done. General Jean Saulnier, then head of the President's personal military staff and now chief of staff of the armed forces, was kept in touch, as was General Jeannou Lacaze, the former chief of staff. But Le Monde says that neither the Prime Minister nor the President was informed.

Le Monde published in support of this hypothesis remarks by M Bernard Tricot, the *senior official* appointed to carry out an inquiry into the affair. He was quoted as saying that he would "not exclude an angry outburst by the Minister of De*fence. He probably didn't say* 'sink the boat' but 'clear the matter up and fast'..."

M Tricot also told Le Monde that he did not think the Prime Minister's office was involved.

M Fabius had lengthy talks with President Mitterrand yesterday morning. *After today's* Cabinet meeting, he is scheduled to go on television tonight in what is a regular monthly appearance.

As the political crisis seemed to be moving towards a climax, the Government clamped down on leaks to the press.

Two officers in the *DGSE* were arrested on allegations of having provided the press with details of the blowing up of the Rainbow Warrior.

[In London, meanwhile, Britain pursued its *demand* that France should compensate those who suffered loss through the sinking of the Rainbow Warrior, a UK-registered vessel, writes our Foreign Staff. The Foreign Office instructed the British ambassador in Paris to call at the French Foreign Ministry.]

● Yesterday's developments underline the key role the French press has played in uncovering the Greenpeace affair, not only through its own investigative journalism but *also through its use of "planted" in*formation from official sources.

Le Figaro, meanwhile, carried allegations yesterday morning from a former head of French counter-in*telligence that much of the informa*tion that appeared last week on the identity of those who had blown up the Rainbow Warrior came from the personal *staff* of M Pierre Joxe, the Interior Minister.

Those allegations only put in more formal terms the widespread belief that M Joxe – convinced that M Hernu had to go to save the President – was using the press to accelerate the crisis.

Le Monde denied formally on Monday that its informant over the identity of the third DGSE team responsible for sinking the ship had been M Joxe.

Le Monde has, none the less, in recent weeks been returning to the traditions of combative investigative journalism that it last displayed *in another cause célèbre* – the affair of the Bokassa diamonds during M Valéry Giscard d'Estaing's presidency. Many on the newspaper felt that the editor-in-chief, then M Jacques Fauvet, had allowed the investigation into presents that M Giscard had allegedly received to degenerate into a vendetta.

Le Monde – independent in tone but sympathetic to President Mitterrand – was for long reluctant to criticise the left.

It was Le Monde that broke the story a week ago that two DGSE agents had sunk the Greenpeace boat. Since then there has been a rush on the news stands in Paris every afternoon to see what fresh disclosures Le Monde has to bring. It has a role in French political and economic life for which there is no equivalent in the Anglo-Saxon press – of being used both by the Government and companies as a *vehicle for "planted" leaks and of* maintaining an independent reputation.

The other publication that both confirmed Le Monde's story and carried it forward on Friday by providing the rank of the agents who sank the boat

The weekly, a mixture of a U.S.-style news magazine and an English colour supplement, is part of Sir James Goldsmith's stable. It has consistently been to the fore in reporting the Greenpeace affair – the first to disclose the identity of *Dominique Prieur, the female mem*ber of the "Turenge" couple now under arrest in New Zealand.

Japanese intervene against $

Continued from Page 1

about 3½ per cent of its value, it ended in London yesterday almost unchanged on the day.

Since last Wednesday the dollar has lost 4.7 per cent of its value as measured by its Bank of England Index against a trade weighted basket of currencies.

On Friday market sentiment *turned sharply against the U.S. cur*rency when estimates for the third quarter U.S. GDP suggested the U.S. economy has been growing more slowly than expected.

The New York meeting of finance ministers and central bank governors from the U.S., Japan, West Germany, the UK and France reinforced this sentiment, although it had been arranged last month.

The five powers issued a strong statement of the need for a lower dollar and their determination to co-operate to bring this about.

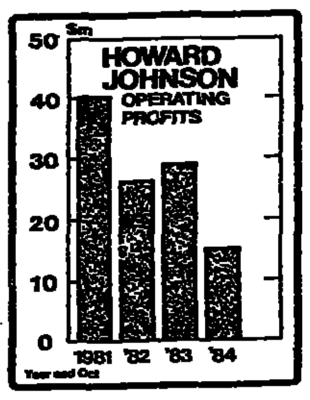
After Monday's steep fall there was some scepticism in the markets about the extent to which the central banks would intervene and some renewed interest in the U.S. currency, particularly in the Far East.

However, Japan's heavy intervention helped the yen to strengthen somewhat over the day to a closing value of Y229.7 in London, compared with 231.7 on Monday.

Against the D-Mark the dollar weakened to DM 2.714. The pound also pushed ahead to $1.432 at the London close compared with $1.427 on Monday.

THE LEX COLUMN

Imperial waves a white flag



Howard Johnson ranks among the most disastrous acquisitions ever made by a British company, so the markets might have been expected to show some relief at yesterday's overdue separation. Yet, as it turned out, ill fortune dogged Imperial to the very end. Monday's collapse in the dollar reduced the sterling value of the $314m cheque Marriott Corp finally agreed to write by over £10m and the equity market greeted the news by marking Imperial's share price down 8p to 186p.

Imps hardly helped matters by *producing the most obscure of* statements. Whatever the true value of the deal, it is certainly not $314m. Almost half of that figure is accounted for by intra-group loans, which wash out on disposal, and the more material numbers are the improvement in group liquidity – about £210 after shedding HoJo's external debt – and the reduction in shareholders' funds of £127m.

The market had hoped for more but since HoJo will make next to no profit in its current financial year Imps can scarcely be blamed for taking the money on the table. With the first anniversary of the disposal negotiations already past, Imps must have been under enormous pressure to reach a final decision. Had it elected to retain HoJo, the equity market's response would almost certainly been even fiercer.

Yesterday's statement removes only one of the three uncertainties *surrounding the group.* The assumption must be that Imps will use its *strong* balance sheet – at a rough guess year-end shareholders' funds of £1bn will support pro for*ma debt of about £100m – to mount* a further acquisition. This is not an entirely welcome prospect. HoJo is exceptional by virtue of being the largest of Imperial's corporate blun*ders but it is by no means unique.*

Imps is therefore faced with the familiar dilemma of the large cash-generative group which has tripped up over diversification. To do noth*ing would leave Imps heavily de*pendent on the UK and would create the impression of a company which had run out of ideas. Passivity would not be much of a defence *against the long-rumoured bidder*, the other uncertain element in the Imps equation.

Yet large acquisition in any of Imps' three remaining business *areas might upset the divisional* balance, while diversification into a new sector of the consumer market would only revive all the old HoJo memories. So that would not make much of a defence either.

For the time being at least, the most prudent course must be to make piecemeal deals which create the impression of a group on the move but do not open Imps up to the criticism that its corporate development department has run away with itself. The chairman's seat at Imperial cannot at present be the most comfortable place to perch.

Barratt

It is not long since Barratt was sheltering under one of the most dilapidated share prices in the stock market, yielding 16 per cent as the *company moved towards a final div*idend that might be paid but could not possibly be covered. Yesterday's figures for the year to June proved that picture to be true but partial.

Barratt's pre-tax profit of £4.1m for the year to June are neither here nor there in relation to £538m of turnover, and the unchanged dividend was indeed paid entirely from reserves. Yet the radical work done on an overextended balance sheet – and on top-heavy fixed costs – should just about suffice to cover an unchanged dividend in the current year.

The attack on working capital, which cut debt by about £90m in the final weeks of the year, should save about £10m of interest, while the *elimination* of ten regional subsidiaries should take a substantial amount off the overheads.

Whether Barratt can regain anything like its former growth path *depends on Sir Lawrie's changed* product mix, creating a 40 per cent rise in unit prices over two years. Moving away from the heavy reliance on first-time buyers was probably inevitable, even before the timber-frame debacle cut into margins on the smaller units. It is now the pre-condition of Barratt's stock-market rehabilitation.

A budget which assumes that UK housebuilding can generate a 20 per cent increase in revenue on unchanged unit sales – and without reloading the balance sheet – leaves little enough room for error. But the 10 per cent yield at yesterday's 108p says more about past disappointments than this year's probable recovery.

Fleet Street

Britain's national newspaper industry is a curious case of supply and costs often being less predictable than demand.

Amid the 15 per cent rise to £46.8m in News International's 1984-85 pre-tax profits is a cocktail of rising demand from both advertisers and readers, and much higher production costs.

At the Sun and the News of the World the losses from industrial problems more than offset the benefits from increased sales.

The Times, despite a 35 per cent improvement in advertising revenue and higher circulation figures, produced the same loss as last year, again because of higher production costs. The Sunday Times, almost single-handed, was left to drag up overall profits.

In advertising terms national newspapers have never had it so good: advertising expenditure has been on a rising trend for the last decade, virtually untouched by recession, and in the last few months there has been a noticeable switch from TV to print.

But the two newspapers scheduled to hit the market next spring will help to soak up demand, and Mr Eddie Shah's publication, if it is produced with new technology, should have a substantially lower and more reliable cost base. So it is hardly surprising that both News International's statement and that of BPCC last week stress the importance of moving to updated printing plants.

After all, newspaper buyers are notoriously price-sensitive, and if Mr Shah decided to sell his paper at half the price of his rivals', they would be hard put to make any profit at all.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	79	Dubrovnik	S	27	81	Malaga	S	24	75	Salzburg	—	—	—
Akrotiri	S	27	81	Faro	S	24	75	Malta	S	27	81	Seoul	F	24	75
Algiers	F	27	81	Florence	S	28	82	Manila	C	33	91	Singapore	R	30	86
Amsterdam	F	18	64	Frankfurt	S	21	70	Miami	S	30	86	Stockholm	S	12	54
Athens	S	27	81	Funchal	S	26	79	Milan	S	28	82	Strasbourg	S	24	75
Bahrain	S	34	93	Geneva	S	24	75	Moscow	C	10	50	Sydney	S	19	66
Bangkok	R	29	84	Gibraltar	S	24	75	Munich	S	23	73	Taipei	R	28	82
Barcelona	F	26	79	Guernsey	C	18	64	Nairobi	F	25	77	Tangier	C	24	75
Beirut	S	29	84	Helsinki	F	9	48	Naples	S	27	81	Tehran	—	—	—
Belgrade	S	28	82	H. Kong	C	28	82	New Delhi	R	26	79	Tel Aviv	S	29	84
Berlin	C	17	63	Innsbruck	—	—	—	New York	S	21	70	Tenerife	S	26	79
Biarritz	F	22	72	Inverness	C	15	59	Nice	S	24	75	Tokyo	R	16	61
Blackpool	C	16	61	Istanbul	S	26	79	Oporto	S	22	72	Toronto	S	18	64
Bordeaux	S	28	82	Jersey	F	21	70	Oslo	S	10	50	Tunis	S	30	86
Brussels	F	16	61	Jo'burg	S	27	81	Paris	S	21	70	Valencia	F	26	79
Budapest	S	22	72	Las Palmas	S	26	79	Prague	S	18	64	Venice	S	27	81
B. Aires	C	18	61	Lima	C	18	64	Reykjavik	F	8	46	Vienna	S	23	73
Cairo	S	33	91	Lisbon	F	24	75	Rio de J'o	C	29	84	Warsaw	C	13	55
Cape Town	F	16	61	Locarno	S	24	75	Rome	S	27	81	Zurich	S	24	75
Caracas	R	29	84	London	R	17	63								
Casablanca	S	24	75	Los Angeles	S	31	88								
Copenhagen	R	11	52	Luxembourg	F	18	64								
Corfu	S	29	84	Madrid	S	25	77								
Dublin	C	15	59	Majorca	F	26	79								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Imperial sells Johnson

Continued from Page 1

sale of Howard Johnson would release resources and remove uncertainty, greatly enhancing the group's future profit and growth prospects.

For its $235m, Prime will acquire 125 motor lodges and hotels, 375 *franchised motor* lodges and 199 franchised restaurants plus the Howard Johnson trade names and trademarks. It will also assume debt on these assets. The move marks a major expansion for Prime, which currently operates 63 motels with about 10,000 rooms under franchise from groups such as Ramada and Howard Johnson.

Marriott, which is one of the biggest and most successful U.S. hotel groups, will retain 350 Howard Johnson company-operated restaurants and 68 turnpike restaurants as well as the vending, manufacturing and distribution operations. Mr J. W. Marriott, the group's chief executive, said the deal "provides excellent opportunities for us to expand and strengthen our restaurant operations."

Marriott, which employs more than 140,000 people and has annual revenues of $4bn, is best known for its hotels, but has been expanding rapidly into family restaurants. Its 868 strong Big Boy chain is the second largest in the sector.

FINANCIAL TIMES SURVEY

Australia

From the wealth of analysis that will mark Australia's bicentenary in 1988, only one conclusion will stand unchallenged: Australia is different. At present, Mr. Bob Hawke's Labor Government is enjoying significant successes

Mr Bob Hawke (left), Australia's Labor Prime Minister, faces a tough new Opposition leader in Mr John Howard (right), who was Treasurer in the Fraser Government

CONTENTS

Doing things differently

IS AUSTRALIA DIFFERENT? As 1988 approaches—the year of modern Australia's bicentenary — the annual migration south of bankers and academics, hucksters and historians keen to see Australia for themselves, will swell to great proportions.

They will tour coal mines, clatter on to oil rigs, visit cattle stations as big as Belgium, buy boomerangs, and study hedonistic Australia intently at play.

Michael Thompson-Noel reports from Sydney

When they return to the northern hemisphere the fun will start, for they are unlikely to agree on what they have seen or what it means.

Some will be dazzled by Australia's resources—billions' worth of minerals and immense tracts of land; others will see an economy seriously askew. Some will follow a paper-chase of post-colonial clues; others will discover Eurasia in the South Pacific. Some will register dismay at the Australian Aboriginals' plight; others will see a tolerant and successful multicultural society.

Some will rejoice, a few may despair, but if they approach their task correctly and are not intimidated by data or analysis, they will at least conclude that Australia is different. As the American Academy of Arts and Sciences recently declared: "Australia is not a carbon copy of other modern democracies, even of those with whom it has close and continuing relations and is constantly compared."

For example, only superficially does Australia resemble Britain. The ties are still there, in humour, language, origin. Britain is still the major source of new Australian settlers, and Australians still play cricket (though increasingly badly). Queen Elizabeth II is Queen of Australia.

Yet Australia has a federal system of government. Its major trading partner in Japan. For defence and TV programming, it looks to the U.S. To conquer a harsh environment it had to invent patterns of investment and tariff control substantially different from those of Britain. Study its social institutions—or visit a bowls club—and it is imediately clear that Australia is neither England, Scotland, Ireland nor Wales.

It is not the U.S. Nor is it Canada in the South Pacific, despite psychic ties with Westminster. For a start, Canadians live in cold-to-freezing climate, close to a powerful neighbour; most Australians live near beaches, on the rim of a drought-prone continent whose major cities are thousands of miles from Australia's nearest non-Commonwealth neighbours, which include Indonesia, the Philippines, Thailand, Vietnam and Cambodia.

Nor should Australia be confused with contemporary New Zealand, which is only three jet hours away, yet is far smaller and more homogenous. There is a Labour Government in Wellington and a Labor one in Canberra, yet even they are not particularly similar.

In 1983, a French magazine voted Australia "country of the year" on the basis of this recommendation: "No other country, no other eldorado in the world can express or incarnate to such a point the hopes, the aspirations of the old world . . . Australia is perhaps the last dream of the decade, the end of the voyage, certainly the last frontier."

Far more carefully, the American Academy of Arts and Sciences maintains that Australia is worth pondering, less because it is exotic than because it is different. This has always been so. It was true in the 19th century, when gold-rush and wool-boom made it exceedingly prosperous at a time when many other countries—now wealthy—were not so at all.

In the 20th century, however, Australia has slipped down the ladder. It has declined as a trading power, and has invested only scantily in new technology and industry restructuring, though this is changing. It has only recently joined the contemporary financial world by floating its dollar, freeing foreign exchange, and deciding to welcome foreign banks. Australia still gets excited when tourists arrive. Because of "import replacement" (now a fading philosophy) it makes a broad range of textiles, clothes, and consumer goods, yet "fully imported" is a potent sales phrase. Only recently has it made serious attempts to counter youth unemployment.

Sir Gordon Jackson, formerly of CSR, the sugar-to-oil concern, and now chairman of the Australian Industry Development Corporation, says, succintly: "Because Australians place a high value on leisure, they have to some extent chosen increased leisure in place of higher income."

He quotes a former Australian ambassador to UNESCO, who described Australia as a "pagan country" of sun-and-beachworshippers. Says Sir Gordon: "While this may be true, there is today a growing concern that Australia may not be realising its full economic potential."

Even here, Australia is out of synch with the rest of the world . . . and different. Mr Bob Hawke, its Labor Prime Minister who won power in March 1983, says that the former Liberal-National Party Government of Mr Malcolm Fraser used Australia as a laboratory for testing monetarism before it was experimented with by the Thatcher or Reagan Governments.

Mr Hawke has changed all that. To a degree that is unique, Australia is at present pursuing a tripartite course based on "conciliation" and "consensus." Its keystone is the pay and prices pact between Labor and labour: between Mr Hawke's two-and-a-half-year-old Government and the Australian Council of Trade Unions, of which Mr Hawke was formerly president.

To an extent that was never predicted, the accord has calmed the country's industrial temper and yielded positive results. Mr Paul Keating, the Labor Treasurer (finance minister), says the accord has played a dominant role in restoring growth, creating jobs, reducing inflation to a level not seen for a decade, and enabling Labor to pursue its social priorities.

Moreover, this month the unions formally ratified extension of the accord for another two years, and said they had reached a "wages accommodation" with the Government to help counter the inflationary effects of this year's sharp depreciation of the Australian dollar.

By coincidence, news that the accord had been successfully extended came only days after the emergence of a tough new Opposition leader, Mr John

CONTINUED ON PAGE 16

A steely opponent for Labor and Mr. Hawke

BY MICHAEL THOMPSON-NOEL

This month's appearance of a new Opposition leader, John Howard, has radicalised political debate, and marks the birth of a far tougher stand against the Government and its policies.

MR BOB HAWKE, the Australian Prime Minister, must wish that 1985 had never been visited on him. Like Job, Mr Hawke has suffered grievous slings and arrows, if not with Job-like patience. All year (or so it seems), he has glowered in Canberra, the prisoner of vicissitude, while his popularity rating crumbled.

Few of Mr Hawke's troubles can be attributed to anyone but himself. Nor, to date, has he had to wrestle with a deteriorating economy, or with the general run of problems—union bloodymindedness, chronic wage inflation, or the whiff of petty scandal—that occasionally lays Australia's leaders low.

As a result of this year's events, Mr Hawke's political standing is now in marked contrast to that of the ebullient, cocksure, almost messianic figure that strode the political stage just 11 months ago, and whose reign as larrikin-king appeared so secure that Mr Hawke and his Labor Party Government seemed set to rule into the 1990s.

Still delivering the goods

Mr Hawke is still the key personality in Australian federal politics. He has talented ministers, and his Government is still delivering the goods, thanks partly—or even mainly—to Mr Hawke's historic pay and prices accord with the Australian Council of Trade Unions (ACTU), an agreement that sealed his initial election win over Mr Malcolm Fraser, the former Liberal leader, in March 1983.

Yet in the new political climate, Mr Hawke is gulping for air.

The most recent event to have clouded Labor's future is also the most profound: the election, on September 5, of Mr John Howard, a neo-Thatcherite (he prefers the phrase "economic rationalist") as Opposition leader in place of Mr Andrew Peacock, who succeeded Mr Fraser.

It was a bloodless coup with elements of farce, for Mr Peacock's intention had been to demote Mr Howard as deputy leader for refusing to state categorically that he would not challenge Mr Peacock for the leadership before the next election.

Liberal MPs rebelled. Out went Mr Peacock (with suave good grace), in swept Mr Howard, a former Treasurer (finance minister) whose first act as leader was to dry out the shadow front bench by relegating "wets" and promoting hardline conservatives to three key portfolios: Mr Jim Carlton (shadow Treasurer), Mr Neil Brown, the new deputy Liberal leader (Employment and Industrial Relations), and Senator Tony Messner (Finance and Taxation).

The two most prominent small "l" liberals retained in the shadow cabinet were Mr Peacock himself (Foreign Affairs) and Mr Ian Macphee (Communications); otherwise, the shadow front bench has been well and truly aired.

Mr Peacock and Mr Howard are as different as bronze and bauxite. Mr Peacock is handsome and wealthy, a scion of the Melbourne Liberal Establishment who never quite jettisoned his windsurfing image as the "Sunlamp Kid" of Australian politics. Finance and the economy are not his pet subjects, so that in the election campaign last December it was almost impossible to discern what the economic policies of a Peacock Government would have been.

Possibly his greatest handicap was his inability, quickly and automatically, to perceive and occupy the conservative position on specific subjects. (Against all the odds, he stood up reasonably well to Mr Hawke in last December's election, which did not pit a flightless peacock against a soaraway hawk, as so many had predicted.)

Mr Howard, in utter contrast, is a product of the Sydney suburbs. He stands for middle-class, entrepreneurial and nonconformist values and is thus drawn from the Liberals' Edna Everage stream. Until the eve of his toppling of Mr Peacock, the former Treasurer's nickname in Canberra was Little Johnny Howard. He is bespectacled and not charismatic. He works ferociously hard and won good marks all round for refusing to collect cheap points by criticising Labor's Treasurer, Mr Paul Keating, for floating the dollar, welcoming in foreign banks, or pressing for major tax reform—measures far removed from Labor's former creed.

Above all, Mr Howard will redefine the boundaries of Australian political debate by formulating a hardline alternative to life with Labor. For the first time since gaining power 30 months ago, Mr Hawke, Mr Keating, and Labor in general will be confronted by a steely opponent whose crusade will be to develop crystal-clear alternatives to Labor's policies.

Mr Howard is keen on privatisation of Government enterprises, tax reform, and restoration of good links with rural Australia. Pre-eminently, he says that deregulation of the labour market and inhibition of union power is the "greatest economic challenge we have over the next five or 10 years."

Naturally, this will put the Liberal-National Party coalition forces into starkest conflict with Mr Hawke and Labor; the going will get tough.

This may not disadvantage Mr Hawke, whose capturing of the middle ground has transformed Australian politics, and whose speciality is labour market affairs. For a decade before entering Parliament in 1980 Mr Hawke was president of the ACTU. Hence the success, to date, of his tripartite approach and emphasis on consensus within the spirit of the pay accord.

It is impossible to forget how Mr Hawke savaged the Fraser Government in 1983, mainly by attacking its economic record. As Mr Howard was Treasurer in the Fraser Government he can expect equally savage treatment this time round. In 1983, Mr Hawke mocked the Fraser-Howard record by claiming that Australia had been used as a laboratory for experimenting with monetarism, something with which the Thatcher and Reagan Governments in the UK and U.S. had subsequently experimented, he claimed.

"Each year," said Mr Hawke, "budgets were more contractionary; each year, monetary policy was tightened. By 1982, Australia had one of the most contractionary fiscal stances of any western industrialised country, and the highest interest rates in its history."

'Unbelievable' budget deficit

Mr Hawke will also hark back to the row that developed immediately after Labor had taken office, when it discovered that the projected federal budget deficit for 1983-84 was apparently sweeping towards A$9.6bn (£4.8bn), a figure Mr Hawke described as "unbelievable," compared with the A$6bn suggested by the Liberals in the course of the campaign.

The key test for Mr Howard will be formulation of labour market policies. The Liberal and National parties have already been pushed further to the right than they might have preferred, but if their plans for labour deregulation, or for changes to the arbitration system, go too far (let alone if they draw too deeply on the form and content of Sir Joh Bjelke-Petersen's anti-union manoeuvring in Queensland), they will find themselves portrayed as union-bashers. In other words, it is up to Mr Howard to gauge properly the extent to which Australia is ripe for labour market reform; if he miscalculates, he will probably be doomed.

In, as Opposition leader: John Howard. OUT, after a bloodless coup, goes Andrew Peacock (right).

The emergence of a shiny new Liberal leader is only the latest of Mr Hawke's problems, for his leadership has been compromised by a series of events, starting with the election last December 1.

The election was called 15 months earlier than necessary, which was seen as cynical, and Mr Hawke misread the country's mood by plumping for a drawn-out campaign (there were no real issues) for which he was bitterly criticised.

On polling day, there was an anti-Hawke, or anti-Labor, current, plus confusion over voting procedures, that led to a narrower-than-expected Labor victory. In the House of Representatives poll, a remarkable 6.4 per cent of ballot papers were declared "informal" (that is, invalidated), against 2.1 per cent in 1983 and 2.5 per cent in 1980.

The Australian Electoral Commission conducted an investigation and issued a report. "It is not possible," it said, "to identify ballot-papers which were deliberately 'spoiled' in contrast to those where the error was inadvertent. Consequently, it is not possible to estimate what proportion of the increase was a protest vote."

Nevertheless, Mr Hawke was left with egg on his face. He had gained re-election, but his crown had slipped. Early in 1985, Mr Hawke encountered fresh problems. First there was a damaging controversy over his agreeing, and then withdrawing his agreement, to co-operate in U.S. MX missile tests in the South Pacific.

In truth, Mr Hawke's position was hardly enviable. He is a fan of President Reagan's, and a staunch suporter of Australia's U.S. ties.

By agreeing initially that Australia would co-operate in the MX programme (in however junior a role), Mr Hawke was bound to infuriate his own Left-wing. By withdrawing his agreement, he immediately triggered massive protest from the Opposition. The reason that the incident was so held against him was that it served to display such insensitivity in dealing with factional opinion within his own party as to undermine his credibility as leader.

In the wake of the MX fiasco, the Australian dollar started a rapid descent against its U.S. counterpart. Partly, this reflected money market fears (not well-founded) that the far Left was suddenly calling the shots in Canberra, and partly concern over Australia's deteriorating trade performance.

Whatever the cause, a graph was produced to show the A$ rate slipping and sliding in almost perfect concert with Mr Hawke's own popularity rating: a damaging coincidence of lines on graph paper that superficially laid the blame for the A$'s plight solely on Mr Hawke's shoulders.

Bold plan for tax reform

In June, there were at last signs that Labor was sallying forth once more when Mr Keating produced a bold plan for tax reform. It seemed conceivable that Labor would do for tax reform what it had already done for deregulation of the financial and banking markets. It was not to be. At a "tax summit" in Canberra the Government was forced to back away from plans for a broad-ranging consumption tax with which to fund across-the-board reductions in personal income tax rates.

In many ways, Mr Hawke's Labor Government has proved a tonic for Australia. After the divisiveness and sterility of the Fraser years, it has cast oil on troubled waters. Its pay accord has been a success. It has not been shackled by ideology, so that ironically its main accomplishments to date have been in banking and finance, even though it claims to have implemented the social priorities of the Labor Party with vigour.

"We have introduced Medicare," said Mr Keating on budget night, "we have substantially lifted social security payments, we have increased spending on education, public housing and home purchase assistance, and we have funded the community employment programme. In our first two-and-a-half years we have achieved a great deal."

Despite all that, a question mark remains as to whether Mr Hawke can revitalise his troops, and reassert his own authority, in time for the next election. He remains what he has been for most of his years in public life: a complex and eventually enigmatic man who used to like to flirt with self-destruction. Nevertheless, he still has the opportunity to reign into the 1990s and mould the "fairer" Australia of which he is always talking.

As president of the ACTU, he used to receive letters describing him as "a kind of Messiah," "the saving grace for our country," and "the hope of Australia." As Prime Minister, he must wish that 1985 was swiftly over. At Christmas, Halley's Comet will be brightly visible in Australia. Perhaps Mr Hawke's fortunes will change for the better.

Unions claim that the State Premier is 'thundering towards full-scale confrontation with the Federal Government'

Nation awaits outcome of clash with unions

Queensland

LARRY KLINGER

THE QUEENSLAND Government has the unions on the run.

While the fight is not over, state Premier Joh Bjelke-Petersen has won the latest round, which could be the hundreth or thousandth—depending on how one cares to segment Sir Joh's lifelong battle to curtail trade union power.

The confrontation — which centres on Sir Joh's refusing to reinstate the 900 electricity workers he sacked, unless they signed a no-strike agreement—is being closely monitored by governments, industry and the trade union movement across the Australian continent.

The final decision, should there be one, could affect the political and economic course of the nation.

The Australian Council of Trade Unions (ACTU) says that Sir Joh is "thundering toward a full-scale confrontation with the federal Government. Every Australian trade unionist will be affected if the assault on Queensland workers is allowed to succeed."

Industry executives privately support the Queensland Government but, for the most part, mute their public statements. This is primarily because of an understandable fear of antagonising their own workers. It is also because that, while the majority would like to see some deregulation of the country's unions, they are concerned that a complete scrapping of the national system of compulsory wage arbitration might bring a chaos beneficial to no one.

Mr John Howard, who this month spectacularly unseated Mr Andrew Peacock as leader of the national opposition Liberal Party, made the question of union power the centrepiece of his first policy statement. He said that the public's reaction to the Queensland situation had shown two things. It was not against mainstream unionism but that it had considerable scorn for excesses of union power. He said he wanted to "open up our very rigid labour market" to allow small business the possible economic advantage of opting out of the arbitration system.

Mr Bob Hawke, the Prime Minister and former leader of the ACTU, has so far managed to remain aloof from the affair, confining himself, probably wisely, to surveying the ground before making a move into the Queensland minefield. He has confined his statements to defending the union movement generally.

Sir Joh says: "We are changing the whole attitude on this closed-shop business."

He had just had a breakfast meeting—"There were 30 top businessmen there, and they were very supportive and approved of government policy. They said they hope I'll stay on forever."

Sir Joh, 74, has been Premier for 17 years.

Pressing on

He has no intention to retire but is convinced that the "Labor Government in Canberra will not be there much longer. My impression is that the new Government of the Liberal Party and National Party (his own) will bring in new legislation on unions. We have shown them that it can be done."

Mr Howard may well be correct in his assessment of public reaction, for there is no doubt that Sir Joh has widespread support for taking on the workers in the state's electricity distribution network, whose labour relations have been in turmoil since the late 1970s.

This culminated in widespread blackouts this year in protest against the authority's plans to hire casual labour at peak periods as a cost-saving measure. The union regarded this as a direct threat, despite the offer of full negotiations and assurances of guaranteed employment and that no one would be sacked.

"Joh's stand is obviously still good for votes," a senior opposition MP grudgingly admitted. "The National Party is out there every week, polling the people. Obviously, they are not coming back and saying things have changed, or Joh would be changing, at least a bit."

However, whereas the Government portrays itself as the innocent party and the situation as simply the inevitable outcome of having to deal with union thuggery, many community leaders in politics and business, as well as the unions, feel the consequences of the handling of the dispute could be disastrous for the state's economy.

The dispute, the sackings and the subsequent union disruption in protest has cost industry many hundreds of millions of dollars, and some business leaders, fearful that continued confrontation could cost them more, have instigated secret mediation talks with the unions, who, in turn, are worried that even more jobs could be lost in a state with the highest unemployment in the country.

It has not slipped past anyone's notice that the national prices and wages accord between the Hawke Government and unions, which Sir Joh refused to endorse, has resulted in a phenomenal reduction of days lost due to industrial disputes across the country. In Queensland, the figure has more than doubled.

Mr Nev Warburton, Leader of the Queensland Opposition, and a former long-serving executive of the Electrical Trades Union, believes that Sir Joh has virtually destroyed industry's relations with labour in the state at a time when its economy is slipping dangerously deeper into recession.

The economic performance of Queensland is often difficult to discern, as the state's various political groupings and organisations bandy about selected statistics attached to personal interpretations rarely agreed by others. For instance, the Government consistently speaks in terms of new jobs created rather than the rate of unemployed in a fast growing population.

However, the central Australian Bureau of Statistics, whose figures are sometimes questioned, indicates that Queensland's economy is continuing to fall behind the rest of the country in most key areas.

Meanwhile, Sir Joh has sacked the electricity workers, hired replacements and maintains he has no intention of changing course. He has brought in legislation outlawing strikes in the power industry, and has let it be known as an explicit threat that his Government has already drafted further legislation to further control union activities.

Reflections

Union leaders, while maintaining that decisive action on their part is suspended only because they have recently obtained access to federal mediation in the dispute, privately concede there is little else they can do. Their recent attempts to shut down public services in the state failed dismally.

They believe that a general strike could only be sustained for a day—and that the day after it would already begin to visably crumble.

Mr Warburton reflects sadly that "I would never have thought I would see the day when there were men ready to take the jobs of people in distress. But that seems to be the economic situation in Queensland, if not in world at large."

Mr Warburton says he is endeavouring, with the support of the unions, to convince Sir Joh that his assessment is wrong, that it is not economic sense to destroy labour relations.

"If Sir Joh had any sense, he would say, 'I have kicked you in the guts long enough, but now let's talk about getting your jobs back.' He still hasn't got any agreement on continuity of electricity supplies, and I believe he could get it, if he was prepared to negotiate," says Mr Warburton.

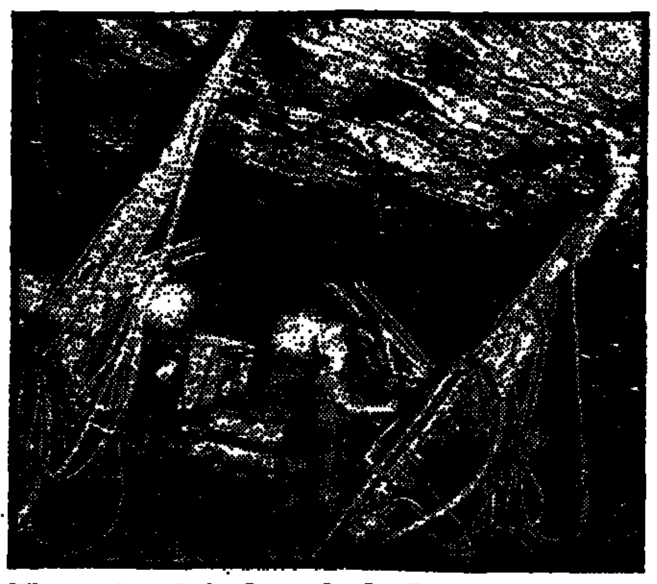
The Premier is in no mood for compromise. He declares: "They'll never get a job while I'm around. They sacked themselves. They were offered, for many, many months, to come back on different terms. They pulled the plug on tens, on twenties of thousands of people, for days, for weeks on end.

"Now there are those who will never get back, even if they signed their own death warrants . . . all because of 140 shop stewards."

He says he will not retire, that there is too much to be done. He is also unlikely to lose power through the ballot box because of his genuine popularity.

He is often treated less than seriously by commentators distant from Queensland. And Queensland itself, a half-tropical but resources-rich state, one-fifth the size of the U.S., with only 2.5m people, is often called the "Deep North" by those in the south who call themselves sophisticated.

However, Sir Joh remains a force to be reckoned with, and, while his health holds out, a constant influence on national politics.



Miners at work in Queensland. The unions' position is weakened by the state's jobless figures, the highest of any state in the country

A major review is under way of Australia's long-term defence environment and strategies

Moves to maintain key role in the Pacific

Defence and foreign policy

EMILIA TAGAZA

WHEN KIRIBATI, a group of about 30 tiny islands in the mid-Pacific, granted fishing rights to the Soviet Union last month, Australia was dejected.

Together with its defence ally, the U.S., Australia had tried to prevent the signing of the agreement. Occurring at a time when the Western alliance was still adjusting to the shock of New Zealand's ban on visits by American nuclear-powered or armed ships, the Kiribati episode was yet another reminder of Australia's important role in maintaining balance in the Pacific between the West and the Soviet Union.

It is in Australia's interest to work actively for maintenance of the status quo in the Pacific. After all, it has been the balance and stability in the region, plus Australia's geographic location, that have prevented any short- or medium-range threat to the country's own security.

Australia does recognise the need to maintain the Pacific balance. This was manifested in last month's South Pacific Forum in the Cook Islands, where Mr Bob Hawke, the Australian Prime Minister, pushed successfully for the adoption of a limited Nuclear-Free Zone Treaty.

Mr Hawke saw the treaty as necessary to keeping ANZUS afloat in the Pacific amidst threats of New Zealand becoming a sleeping partner.

An important clause in the treaty guarantees freedom of passage of nuclear-armed or powered ships within the area. However, it leaves it to each signatory to determine whether it would allow such ships access to its ports. New Zealand was a signatory to the treaty, which meant that despite the ban on visits, U.S. nuclear ships can continue passing through New Zealand's territorial waters.

As to the Kiribati episode, the long-term implications for Australia are hard to judge. Some Australian strategists are concerned that the Kiribati contract, under which the Soviet Union is to pay A$2.4m annually for fishing rights, could establish a trend among the marine-resources-rich but cash-short Pacific nations. This could give the Soviet Union a chance to establish a foothold in the region.

However, there is a stronger belief that Australia herself does not face any threat of any substance in the foreseeable future.

Nevertheless, fear of the Soviet Union is latent. It will therefore not be surprising that in the current major review of Australia's long-term defence environment and strategies, such factors as New Zealand's stance against U.S. nuclear ships, and the Soviet Union's interests in Kiribati, may very well be taken into account.

The defence review, being conducted by Mr Paul Dibb of the Strategic and Defence Studies Centre, is expected to take more than a year. It will define Australia's strategic environment, its defence priorities and armed forces structure.

The review was initiated by the Defence Minister, Mr Kim Beazley, who had admitted the lack of any overall strategy in Australia's defence policy. There have been continuing but inconclusive discussions of defence issues since Australia's involvement in the Vietnam war, but all through these years, the country has remained undecided as to what defence capability it should aim for.

For example, some experts doubt the wisdom of the decision to buy 12 destroyers, arguing that Australia would be better off with fewer destroyers and more patrol boats, given that there are no foreseeable threats. In times of peace, the country's major problems are illegal fishing and illegal immigration, but most especially drug smuggling. The Navy has a useful role to play in dealing with these problems, and with more patrol boats could cover a wider area.

Major Gen J. D. Stevenson, a senior retired Army officer, had also made public his doubts about the recent order for 75 FA/18 Hornet fighter planes from McDonnell Douglas. Writing in the Pacific Defence Report, he said that the Government seemed to have overlooked that it is also a priority to acquire some early warning aircraft, and that an air defence element of 30 FA/18s would have been sufficient.

Last year, spending on capital equipment accounted for about 25 per cent of the overall defence budget. Three to four years ago, it accounted for only a sixth of the defence allocation.

The trade-off has been manpower and training. Because of the squeeze on the manpower budget, there have been substantial cutbacks in defence personnel. For this year, the defence allocation has been increased by 3 per cent in real terms, but this is deemed inadequate if the armed forces are to maintain proper training.

Mr Beazley wants local industry to benefit from the recent depreciation of the local dollar and is therefore more than ever keen on greater Australian participation in equipment acquisition. In most of recent purchases, Mr Beazley had ensured that Australian companies were able to participate in the production or assembly stages.

Last month, the defence ministry awarded contracts worth A$26m to two European groups to develop a design for a new-generation submarine for the Australian Navy. The groups were Kockums, the Swedish state-owned shipbuilder, and Howaldtswerke Deutsche Werft (HDW) of Germany. The ministry has decided that all six new submarines, worth about A$2.6bn, will be fully built in Australia, so that Australian industry can participate to the maximum practical extent.

In anticipation of winning the final building contract, the two European groups have formed joint ventures with local firms.

Back in business again

BY MICHAEL THOMPSON-NOEL

'Australia is back in business,' declared Treasurer Paul Keating, recently. Labor, he claims, has turned the economy around from deep recession to a rate of growth which is one of the fastest in the western world.

ANYONE KEEN to test the temper of the industrial relations scene in Australia could have done worse than visit Sydney Town Hall earlier this month where the Australian Council of Trade Unions (ACTU) was holding its biennial congress.

Periodically, Australians are portrayed as some of the world's most pampered, most bloodyminded workers—a reputation that in turbulent times they are apt to foster with roundrobin strikes and aggressive wage claims.

Yet this month's congress passed virtually without incident. There sat the delegates, tame as cats, with hardly a whinge between them.

The week's most notable event was the ACTU's formal endorsement of a two-year extension of the pay and prices accord between the unions and Mr Bob Hawke's Labor Government — an historic document that has contributed greatly to Labor's economic successes thus far.

The durability of the accord has been freely speculated on ever since Mr Hawke unveiled it during his campaign for the March, 1983, general election. Yet the accord has run for 30 months, and shows no signs of buckling.

Quite the reverse, if one studies what each side has to say about it. In the view of the ACTU, the accord's benefits "have encompassed high economic and employment growth, substantially reduced unemployment and inflation, improved international competitiveness, the maintenance of living standards through full wage indexation and tax reform, and improvements to living standards through the 'social wage'."

In the ACTU's view, the accord has helped combat inflation and unemployment simultaneously, and is thus "manifestly preferable to the contractionary policies pursued by the former (Fraser) Government as part of its failed 'fight inflation first' strategy."

The Treasurer (finance minister), Mr Paul Keating, is even quicker to harp on the story of the accord, and the Government's successes, as he did in his budget speech on August 20, when he roundly declared: "Australia is back in business."

That night, in Canberra, he told MPs that Labor had "turned the economy around from deep recession to a rate of growth which is one of the fastest in the western world."

Mr Keating explained that:

- Labor had generated 410,000 new jobs, and cut unemployment from a peak of 10.4 per cent to 8.2 per cent;
- Inflation had been reduced to levels not seen for a decade;
- Social priorities had been pursued with vigour;
- The projected federal budget deficit was being cut from A$6.7bn in 1984-85 to A$4.9bn (£2.6bn) in 1985-86, representing 2.1 per cent of forecast gross domestic product, against 3.3 per cent in 1984-85, and 4.3 per cent in 1983-84;
- Non-farm activity in 1985-86 was expected to grow at about the same 5 per cent rate as last year, with overall economic growth of about 4.5 per cent, and
- Budget outlays in 1985-86 were expected to total just under A$69.1bn—a projected increase, in real terms, of only 1.3 per cent.

However, there can be no silver linings without clouds. The main concern at present is of a sharp surge in inflation stemming from this year's marked depreciation of the local dollar.

During 1984-85 (July-June) the A$ fell by 22.7 per cent against the U.S.$15.3 per cent against the mark, 19.5 per cent against sterling and 19 per cent against the yen. On a trade-weighted basis the A$'s fall was 17.9 per cent.

In its Budget Paper No. 1, the Government describes the A$'s fall in these terms: "In the first three weeks of February the A$ weakened as the US$ rose through successive record highs against major currencies.

"Local factors also contributed. In particular, foreign exchange markets were unsettled by uncertainty about monetary conditions (aggravated by public servants' bans on the encashment of Government receipts), and by Australia's widening current account deficit and increasing external indebtedness. Perceptions of the implications of some political decisions added to the uncertainty."

(One of these decisions was Mr Hawke's U-turn on co-operating with U.S. MX missile tests in the South Pacific, but Paper No. 1 steers clear of such shoals).

Mainly as a result of the dollar's depreciation, the Government expects Australia's consumer price index to rise by about 8 *per cent* between June, 1985 and June, 1986, against a rise of 6.7 per cent in the year to June 1985. Australia's inflation rate in 1985-86 will thus again exceed that recorded by many of its main trading partners.

The challenge, says Mr Keating, is to ensure that this "one-off increase" is not built into the underlying rate of inflation. This is vital, because the ACTU-Labor pay accord seeks to maintain real wages by linking wage rises directly to gains in the CPI (something the employers naturally dislike). The accord's package of related proposals covers employment, industry development, social security and education, taxation, and industrial relations, including occupational health and safety.

The Government-ACTU solution for countering the impact of the dollar's depreciation is an ingenious one. The current *six-monthly* wage *claim of 3.8* per cent is expected to be endorsed by the Arbitration Commission, but the ACTU has agreed to a reduction of two percentage points in its settlement next April, in return for tax cuts next September. Tax reform and improved pension arrangements also enter the equation, as does increased *prices surveillance.*

The employers were swift to voice objection to the agreement, claiming that it would fuel—not stifle—inflation, while the Liberal Party, its spine stiffened by a tough new leader, Mr John Howard, echoed the employers.

However, this drew a sharp retort from the Employment Minister, Mr Ralph Willis, who said this month: "We have the extreme irony in Australasia at present that after two years of responsible behaviour, with *overwhelming* adherence to the accord and record low levels of industrial disputes, the conservative *political parties are doing* all in their power to generate hysteria about excessive union power."

There is still concern on the trade front, despite a lowering in August of the monthly trade deficit to A$55m (£28m), down A$434m on July's record trade deficit (a figure inflated by purchases of aircraft, and a satellite). In 1984-85, the current account deficit was swollen from A$7.4bn to A$10.2bn.

For the first two months of Australia's 1985-86 financial year, the trade deficit totalled *A$544m, against A$607m last* year, while the current account deficit for the first two months was a shade higher at A$2.2bn.

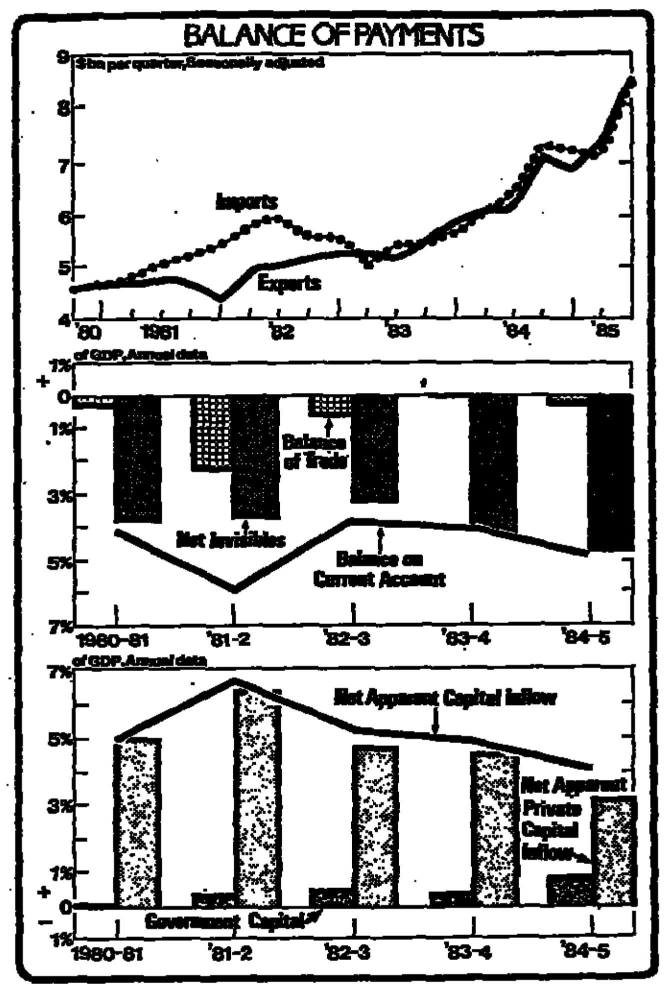
Australia has traditionally run a current account deficit. In the 1980s, however, the deficit averaged 4.5 per cent of gdp in the period to 1983-84, compared with 2.5 per cent in the previous 20 years.

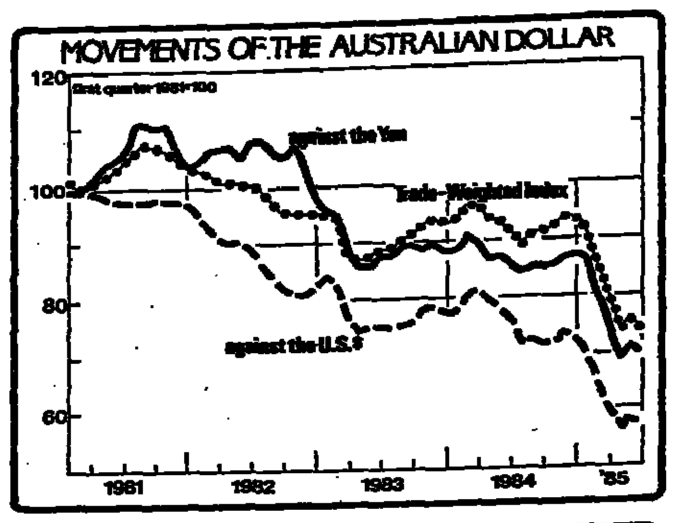
Imports rose by 28 per cent in value in 1984-85. Buoyancy *of domestic demand contributed* to this growth, but it also reflected past competitive weakness, and technological and structural changes requiring the import of goods not widely made in Australia, such as data processing machines.

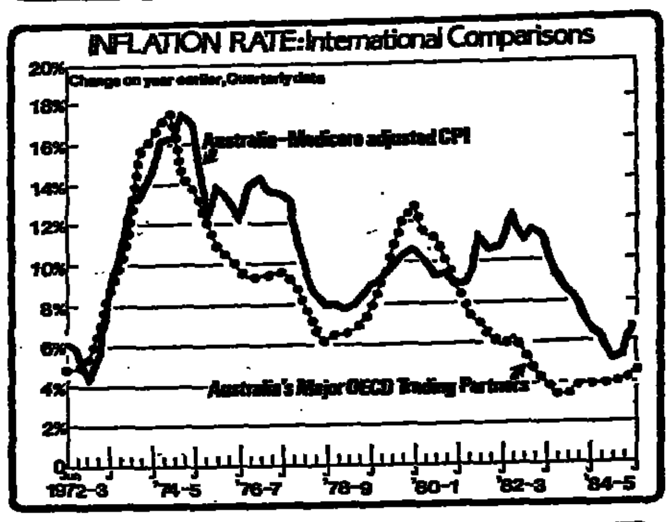
Export receipts *increased* by 25 per cent. After improving in 1983-84, Australia's terms of trade deteriorated in 1984-85.

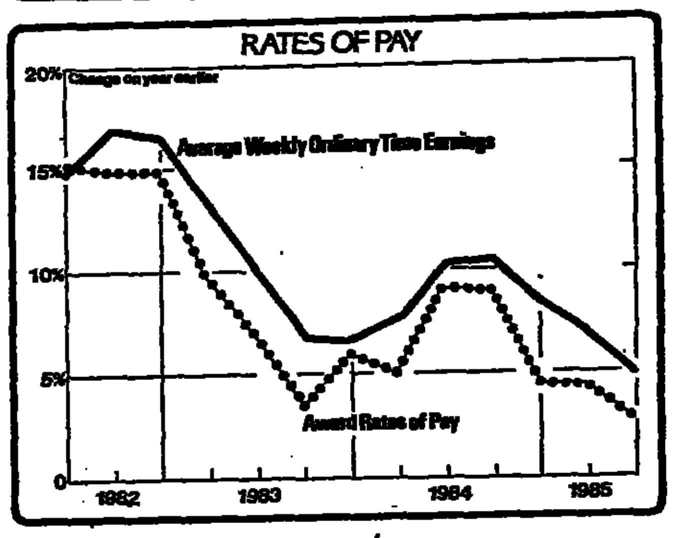
In Budget Paper No 1, the Government states suavely: "Concern about international indebtedness should recede as a consequence of a smaller current account deficit." Later, it skims across a minefield with this carefree statement: "Lifting the achievable growth potential of the Australian economy requires that resources be progressively shifted away from the less efficient and more highly protected sectors. Over time, this approach will contribute to a more dynamic and outward-looking private sector which will be capable of successfully adapting in what will, no doubt, be a world characterised by continuing structural change."

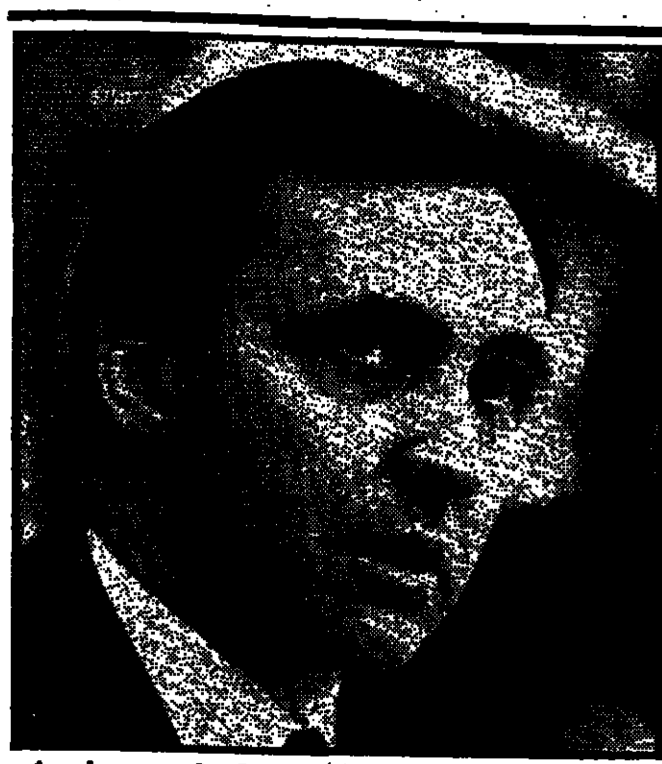
That is a statement that begs more questions than Labor will have time to answer, despite the important successes achieved by its pay pact with the unions.











An image of gleaming self-confidence: not for nothing is Paul Keating regarded as the most ambitious man in Australian politics.

Personality profile: **Paul Keating,** Australia's lively Treasurer

Top of the pops with business world

FOR a portrait of bravura self-confidence, nothing in Australia in the past ten months competes with the appearance of Mr Paul Keating, the Australian Treasurer (finance minister), at Canberra's Parliament House on the night of August 20.

It was just before 8 pm. In a few minutes the Treasurer would start his budget speech, in which he would announce a major cut in the federal budget deficit and maintain that the Hawke Labor Government had "turned the economy around from deep recession to a rate of growth which is one of the fastest in the Western world."

First, however, he was happy to answer reporters' questions, which he did with ease—so much ease, I thought to myself, that despite the occasion, the hour, and the clutter of mikes, there was a perceptible chance he would fall asleep.

No one need have worried. Exactly on eight he flicked his cuffs, bid farewell to his pallid inquisitors, and bounded off to the House of Representatives, where at the end of his speech he told the Speaker that the third Keating budget was a budget for growth: "A budget for a fairer Australia."

Unwavering self-confidence is the Keating hallmark. After all, he already has a clutch of credits to his name—floating the A$, liberalising foreign exchange, freeing the financial markets, welcoming in a host of foreign banks, and presiding over a period of robust recovery in the Australian economy.

What seemed curious about Mr Keating's gleaming self-confidence on budget night were the events seven days previously, when he and the Government had finally backed away from their biggest initiative; sweeping reform of Australia's decaying tax system.

In June, a White Paper (Reform of the Australian Tax System) made a cogent case for radical re-ordering. The main initiatives the Government proposed included the introduction of a broad-based consumption tax, similar to VAT; reductions in marginal income tax rates; and a widening of the direct income tax base via introduction of a modest capital gains tax, a tax on gold mining, a system of national identity numbers to help curb tax evasion, a war on "lurks and perks" (fringe benefits), etcetera.

It was very good stuff.

In July, Prime Minister Hawke hosted a "tax summit" in Canberra which rapidly became a shambles. The unions, the business groups, and other interested parties objected to this and that (particularly to the planned broadening of indirect taxes), so that the Keating "tax cart," in which the Treasurer had planned to ride in triumph, was left without wheels.

On August 13, the Government effectively abandoned the major elements of its tax reform plan in a move widely interpreted as the biggest reversal of Mr Keating's career, given the energy with which he had flailed the horses dragging the cart.

On June 4 the Treasurer had said: "If we don't as a nation adopt this proposal, then you won't see significant reform in this country in taxation for the balance of this century"—a gothic reminder that for all its vociferousness, Australia remains one of the most deeply conservative democracies on earth. (Even New Zealand is pushing ahead with major tax reform, which must make Mr Keating want to weep).

Although the dumping of ambitious tax reforms was widely described as Mr Keating's biggest political blow, there was a general tendency to pin more than half the blame on Mr Hawke.

For this reason, it is unlikely that Mr Keating's chances for the Labor leadership will be harmed in the longer run, should he stay in Parliament.

There seems scant chance of a leadership struggle before the next general election. Whatever his mistakes so far this year, Mr Hawke has yet to lose an election. However, if Labor goes, Mr Hawke will probably go as leader, leaving the road clear for a Keating challenge. Not for nothing is he regarded as the most ambitious man in Australian politics.

Mr Keating entered Parliament in 1969. He served briefly as a minister in the Whitlam Government. Then came the long years of opposition.

Despite the tax fiasco, his standing remains extraordinarily strong with finance and business. Recently, at 32,000 feet, in a tiny corporate jet somewhere over Australia, I asked a mining magnate what he thought of the Australian Treasurer.

He jiggled his champagne glass and said: "Little Johnny Howard (the former Shadow Treasurer) has got a pretty good act, but there's no-one quite like Keating. He's bloody good."

Michael Thompson-Noel

The pace of change accelerates

Banking and finance

LACHLAN DRUMMOND

CHANGE is the one constant for the Australian banking and finance sector and with the proposed 16 new entrants pawing the ground in anticipation of final licensing, the pace of change is poised to accelerate still further.

But even without this new bank landmark in the Australian financial sector, the general thrust to deregulation has left the participants with much to ponder in defining strategies to ensure survival, and then growth, in a redefined and more competitive market.

Already, it can be argued that Australia is over-banked, with four nationally - operating trading/savings banks groups—the ANZ, Commonwealth, National and Westpac—four state banks operating within colonial borders in NSW, Victoria, South Australia and Western Australia—three small private trading banks—Macquarie, Australian and Bank of Queensland—two savings banks in Tasmania and in NSW, a building society which recently moved to savings bank status.

Furthermore, two foreign banks, Bank of New Zealand and Banque Nationale de Paris, have long-operated as branches in Australia.

Corporate field

On top of this, in the corporate field more than 100 merchant banks and represntative offices are seeking business while, in the consumer finance field, there are close to 30 building societies with assets ranging from A$2.2bn to A$130m and the same number of regional credit unions with assets from A$40 to A$150m.

The finance company sector provides another 30 or so competitors across the broad spectrum from consumer to commercial finance, with assets ranging from a little more than A$6bn down to about A$200m.

Sixteen new banks on top—17 with the separate issue of the Bank of China—immediately suggests indigestion, but for the main part the "new" banks will be translated from existing merchant bank, finance company or representative office operations.

Furthermore, there is a general expectation that of the "new" 16, only about five will offer strong competition across the full spectrum, with a broader group of seven or eight with a more modest consumer/corporate spread or a concentration on wholesale or specialist trade finance.

The first group is expected to be taken up by Chase-AMP, the joint venture between the U.S. group and Australia's largest mutual life insurance operator; Citicorp, with its extensive existing operations; National Mutual Royal Bank, the joint venture between the number two institution and the Canadian Royal Bank; Barclays of the UK with its spread of local operations; and BA Australia, the 75-25 venture between Bank of America and Australia's dominant retailer, Coles Myer.

The second group would include J. P. Morgan, Bankers' Trust, National Westminster, Lloyds (via New Zealand), Bank of Tokyo, Hong Kong and Shanghai and Standard Chartered.

The third group of smaller operators would cover the Industrial Bank of Japan, Mitsubishi Bank, Deutsche Bank and Overseas-Chinese of Singapore, although Mitsubishi's ambitions could shift it up the scale quite rapidly.

At the end of 1984, the merchant bank and finance company operations of the new participants — including both local and overseas partners — totalled around A$12bn out of a total A$170bn or so of assets for the banking, merchant banking and finance company sectors at the time.

In a recent survey, conducted by Mr Brian Metcalfe, a Canadian academic, the 16 new banks were projecting they would command a collective 20 per cent share of banking business after five years.

In the same survey most of the proposed banks had scaled back their initial profit estimates from projections made at the time of lodging applications, mostly because about 10 banks more than were expected were selected and that the Reserve Bank regulators have imposed restrictive covenants on capital and liquidity for the initial years.

The Reserve has imposed a capital requirement of 6.5 per cent of total assets, which will leave shareholders funds geared at a shade over 14 times compared with around 20 times for the existing banks, which leaves a competitive advantage for the local banks with their ability to shave margins while, comparatively, not sacrificing profitability.

The Reserve and the proposed new banks have also locked horns on other administrative and regulatory issues, mainly on the Reserve's view that holding companies are not interposed between the offshore parent and the local bank and that all domestic offshoots be owned by the local bank roof.

This stance, in some cases, conflicts with the ultimate foreign bank regulators of the newcomers and in others with the preferred corporate approach. A compromise of interposed holding companies and one domestic roof appears to be emerging.

Meanwhile, with the prospect of impending change the Australian banking and finance sector has been rapidly adjusting ahead of time to meet the new competition.

The ambitions to either retain market share, or for new entrants to build share ahead of licensing, meanwhile has provided a pointer to the future level of competition—and a boon to borrowers—with lending margins driven to wafer thin levels.

The local banks have also moved to take advantage of deregulation already in place, most of which has favoured the banks and has seen the removal of almost all controls on deposit and lending rates and maturities.

The result was a 20.4 per cent increase in deposits for the four big banks in the year to June 30 last and a 23.2 per cent increase in their lending after they entered the formerly restricted preserve of the merchant banks, the overnight and short term money markets, and then pushed the funds out to clients.

Varied response

The response of each of the banks has differed, with the National Australia the most aggressive asset builder, closely followed by Westpac, with the ANZ taking a more relaxed domestic approach as it has sought to counter the emerging competitive threat through expansion offshore after its 1984 takeover of Grindlays.

The other banks, too, including the increasingly aggressive and Mutually Co-operative State banks have sought growth in overseas markets, building up loan books in London and the U.S. and establishing branches in Japan and through south east Asia.

Westpac and the National are each close to establishing life insurance operations to extend the range of financial services at a time when the big mutual life insurers are extending into the banking domain.

The effect on the earnings of the big private banks of operating in a free environment but without the new competitors has been great, with the National and Westpac finally winning the benefits of their early 1980s mergers but with advances at the ANZ performance clogged by Grindlays. The three private banks are disproportionately profitable in international terms, ranking between 68 and 104 in assets but from 29 to about 50 in profits.

For the current September year, Westpac is expected to be up 22 per cent to about A$390m net after a 38 per cent increase in the previous year and is targeted by brokers for a 5-10 per cent rise in 1985-86. The National is projected to increase 24 per cent to A$300m after a sharp gain in the previous year and also is pencilled in for a 5-10 per cent increase in the following year as the new domestic banks make their presence felt.

The ANZ is projected to rise from $269m to a $285m-$305m range with the 1985-86 outlook of $330m -$375m, depending on how well Grindlays recovers.

The local banks are using the hiatus period to spend heavily on automated tellers and electronic banking to help drive down operating costs and increase their competitive edge.

Along the way they have been wrangling with retailers and other financial services groups on the shape and operation of electronic funds transfer systems, with the banks wanting all transactions routed through them and the others arguing for a gateway system providing access for all.

Access to the cheque-clearing system has been another source of healthy argument with those of the new banks and other financial institutions baulking at the $800,000 entry fee aligning themselves in agency agreements with existing banks.

The banks are also split on the future of the jointly controlled Bankcard system at a time when each is developing its own Mastercard and/or Visa-based one-card credit-debt systems to provide some level of product differentiation.

Meanwhile, in the face of these rudely healthy existing banks and the new entrants, the merchant banking sector has been expanding, with those that missed out on licence either buying out other partners in consortium operations or taking advantage of the 12-month moratorium on foreign investment guidelines, now drawing to a close, to establish fresh money market operations in the relaxed atmosphere.

With the new and existing banks tied down with liquidity ratios — adding perhaps 0.5 to 0.75 per cent of apparent funding costs — and the costs of expansion and automation. There is a clear view that the merchant bank sector can remain competitive in funding for a number of years at least, while seeking fee-based business in the securities placement and advisory areas and specialised foreign exchange and trade finance areas.

Greatest threat

The area under greatest threat is perhaps the finance company sector, traditional providers of fixed-rate finance for consumer hire purchase and commercial leasing, the latter an area where the merchant banks have been vigorously driving down market to make up for ground lost to the banks.

At the consumer end of the market they are under assault from the savings banks, credit unions and building societies, the latter group only now gaining freedom to lend other than against secured real estate.

The financiers who are dominated by the bank-backed operators, have responded by seeking to lift gearing from the traditionally accepted six to eight times shareholders' funds to a 12 to 15 times range as a means of allowing them to shave rates while retaining profitability. They have also shifted away from fixed-rate debenture borrowings to greater use of money market instruments, at the same time moving to floating rate lending.

With the first new bank, Chase AMP, expected to open its doors on September 23, all participants by this time next year in the banking and finance sector should have a clear idea of what the future holds.

In transition: the stock market and the banking industry both face radical changes as competition intensifies

Strong corporate growth leads to spate of takeovers

Stock market

LACHLAN DRUMMOND

THE AUSTRALIAN share market has taken a contemplative pause, with the bulls and bears fairly evenly split on whether the 950 point level for the all ordinaries index is a high water mark or a signpost to a four figure index.

What is impossible to dispute is the strong performance of the market since it renewed its upward surge in mid-1981: a rally which has accelerated in the current calendar year.

For the 12 months from last September, the broad market indicator of the all ordinaries index, covering some 80 per cent of the market, has driven up by almost 28 per cent from 710 to its current 940-950 range, with all but 33 points of that increase falling in 1985.

The surge has been led by the industrial segment of the market, which has risen by 31 per cent from last September by strong rising profits and heightened takeover speculation with the industrials index for long having been in previously uncharted ground and establishing new highs almost daily.

The resources market over the same period has risen by a relatively more pedestrian 21.8 per cent, with the index earthbound and at least 200 points short of its best on the back of generally uninspired commodities prices.

Meanwhile, within that general framework the market leader, Broken Hill Proprietary Co, in the past year has risen more than 50 per cent from an adjusted A$4.64 to in excess of A$7 as the company's earnings have risen dramatically and as its executives have busily trotted the globe seeking backing from international investors in the face of the continued attentions of its bête noire, Mr Robert Holmes a Court, and more recently the acquisitive Adelaide Steamship group.

As it represents about 8 per cent of the total market capitalisation, BHP has been a heavy influence on the broader index measures.

Meanwhile, although given impetus by traditional fundamentals of earnings expectations, foreign influences and strong institutional liquidity, the Australian market has also benefited from a series of one off effects which have usually arrived in time to hold the bears.

One of the biggest single influences was the collapse in the Australian dollar early in the year, a factor which has left the domestic performance looking less grand when set in U.S. dollars. But in turn it has made the Australian market look cheap for foreign investors, particularly those buying as much on a currency as a market view.

That collapse has also significantly enhanced the local currency earnings prospects of the major exporting resources group which draw sales in U.S. dollars.

At a stroke the shift in the currency has restored profitability to a largely loss-making coal sector, given a 30 per cent increase in gold prices against a steady to declining U.S. price and added gloss to the range of generally flat to poor mineral commodity prices.

It has also bolstered the import sensitive industrial sector, which in any case has been enjoying a strong recovery in profits from the 1982-83 recession trough.

Import sensitive

The broad estimate is that the June 30 year just ended will see 20 to 25 per cent average earnings growth, with perhaps 10 to 15 per cent achievable for the current year, although there are many who believe that high interest rates and record share price levels are incompatible.

Meanwhile, the strong corporate health has drawn out a series of massive takeovers and almost continuous speculation which has provided substantial underpinning to many share prices.

The A$1bn plus bids for Castlemaine Tooheys and Myer and a host of other smaller offers, meanwhile have left former shareholders with additional cash to plough back into the market.

The market has also received a psychological boost from Federal Government moves — yet to be implemented — to remove the effective double taxation of dividends in the hands of individual shareholders.

In recent months the single most significant factor has been the redirection of gold investment funds from South Africa to Australia one of three countries—along with the U.S. and Canada—where gold stocks are readily available.

With Australian gold stocks having stood on earnings multiple of six to 10 times against the 20 to 30 common in North America, there has been a sharp upward revision in share prices, paticularly as many of the gold miners are small operators with generally tightly held capital.

Turnovers

All has helped to ensure that daily turnovers around A$100m are the norm, a factor which has helped a stockbroking industry opened only last year to negotiated commissons and to outside shareholders.

As a result of these changes close to 30 of the 104 broking firms have taken in outside shareholders from among exist ing banks and merchant banks —both local and foreign—while several smaller firms have disappeared in mergers and amalgamations.

Additionally, the large Sydney and Melbourne firms—which, two centres account for some 90 per cent of trade—have extended to the smaller market floors through buying interests in firms there, while the more robust of the junior centre firms have similarly extended themselves to the major trading floors through acquisition.

Meanwhile, the industry faces radical change in future with plans for electronic screen trading and a central computerised scrip settlement system.

The screen trading proposals are far from complete and have drawn a chorus of protest from brokers so far. It is expected that a vote on screen trading will be held within a year when the package of proposals has been fully formed.

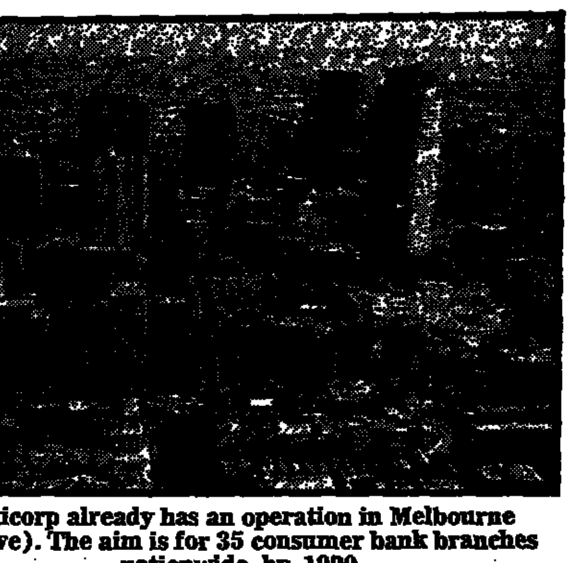
CITICORP PROFILE BY LACHLAN DRUMMOND

Leader in the field of foreign newcomers

CITICORP, the world's biggest banking group, may not harbour immediate ambitions to be the biggest in Australia, but it believes it wil be the most competitive and broadest spread of the 16 foreign newcomers about to spring onto the Australian scene.

It has something of a head start on most of its rivals in the scale of operation it has built in the past decade, with $2.5bn of lending business on its domestic Australian books through its finance company—the number four in the industry—and its merchant banking operation—number 14.

That puts it head and shoulders above everyone but the National Mutual Royal Bank combination, which will start with a similar total of assets, although unlike Citicorp, not all the elements will be wholly-owned.



Citicorp already has an operation in Melbourne (above). The aim is for 35 consumer bank branches nationwide by 1990

For Citicorp there also is about $1.5bn of lending into Australia from affiliates of what will become Citibank Ltd, which gives Citicorp a total lending presence which would rank it number seven after the big four nationally-operating banks and the two biggest state banks.

It expects to open its doors as a bank in mid-December, although with the traditional Christmas shutdown of industry, it will be February before it is really functioning.

A December start also rests on resolving outstanding stumbling blocks with the Reserve Bank, which with the question of an interposed holding company between the U.S. bank and Australia now resolved in favour of the U.S. view that the holding company stays, rests on the Reserve's demand that Citicorp's financial operations be carried under the umbrella of Citibank in Australia.

Measured approach

According to Michael Cannon-Brookes, the Englishman who is Citicorp chairman and head of corporate banking, most of the group's operations — ranging from the finance company and merchant bank operations to insurance and a building scoiety —will hang from Citibank.

On the corporate banking side, Citibank will open with a branch in each of the five mainland state capitals, while in consumer banking — where it has no existing comparable operations to translate immediately — there will be a more measured approach, with first one Sydney branch and then another by February, with the number two city of Melbourne being opened up from 1987. In that city it has an existing building society operation which has and will be a test bed for learning how to become a consumer bank in Australia.

The end-ambition is for a 35-branch consumer presence nationwide by 1990, when overall Citibank expects to have its "onshore" assets up from $2.5bn to $5bn to $6bn. It already has $300m of capital committed in Australia and will be bringing this up to $400m to support the growth in business and provide the funds for what will be a costly exercise, particularly in what consumer banking chief and vice-chairman Steve Baker describes as "inch a day" retail banking business.

According to Mr Baker those banks involved in the consumer area will lose a lot of money for a good while.

"It's going to be a very, very costly affair. In the consumer business it takes a long time to build up enough customers to justify that one branch you've just built. When we say we're going to build 35, you've got to have very long view."

With a starting point of 1981 net earnings of $28m for the finance company, Mr Cannon-Brookes says Citibank "almost certainly will always be profitable" in its high-cost opening years.

In the corporate sphere, according to Mr Cannon-Brookes, Citicorp will gain immediate benefit from its ability to offer bank account and deposit facilities.

It already is well established and regarded in the foreign exchange field—where it ranks about number four or five in size — as well as the risk management areas or interest rate and currency swaps, hedging, options and forward cover and in the merchant bank debt securities trading and placement operations.

It is also established as a lender to its target client base of the medium to big corporates and the government and semi-government sphere.

"The main benefit will be in customer service. We are one of the leaders in foreign exchange and every time we do a trade we have to cut a cheque, not just debit or credit an account with the other banks. It's inefficient, it adds costs and there is a lack of customer service."

The bank status will also allow it to expand in electronic banking domestically. A field where it already provides clients direct access to its offshore networks. This experience in electronic banking is also an area where Citicorp believes it can bring overall benefits through its seat as a full member of the Australian clearing and payments system.

In the consumer field, Mr Baker is looking beyond bricks and mortar branches and although it currently has a building society automated teller link in Victoria, is exploring ties with other networks to achieve the national spread of cash machines for its clients.

"Growth should be exponential over time. We are not interested in having a thousand branches but we will have many more branches, we think, thany any other foreign entity over time.

"We are going to get to the consumer through direct mail, automated tellers and through other banks and retail networks."

In-house

There is an in-house client base to draw from with 100,000 building society customers. A similar number in each of the insurance business and the consumer finance operations, while Diners Club, where it has a local partner, offers scope to tap into further hundreds of thousands of potential customers. And the Citibank package will be designed to pull as many of these strings together in "relationship banking."

In both corporate and consumer areas Mr Cannon-Brookes and Mr Baker believe that concentration on three basics — people, innovation and customer service — will provide the necessary differentiation for Citibank to stand out of what will become a crowed banking ruck.

"We're quite optimistic we can bring something to the party," says Mr Baker.

Mr Cannon-Brookes perhaps captured the thinking of his 15 new rivals by saying: "The Citibank philosophy has always been that wherever we can get a franchise we like to get it and that taking a 10-year view, it is essential to us that we have a commerical banking franchise in Australia. Its the last major developed country where we don't have one, so we were delighted to get it."

Thinking the unthinkable

By LARRY KLINGER

A major rethink in the nation's trade policy is now under way. It involves an export drive aimed at Asian markets coupled with tariff reductions which will benefit its neighbours.

FUNDAMENTAL CHANGES are taking place in Australian trade policy. They have in most part been forced on this resources-rich country by the world recession in demand for its raw materials. But the fact that the national need to export has been a central issue to virtually all economic policy, and recognised as such by a growing body of the population at large, means changes, once near the unthinkable, are beginning to happen.

One factor is that Australia, for long one of the most protectionist countries in the world, is actively pursuing a policy of tariff reduction. The pace will be slow but the policy is in train, significantly against the world trend.

The reasons are manifold, but the chief one is that the nation's policy-makers have decided that, if Australia is to become truly competitive, it must be exposed to wider market forces rather than rely, as it has long done, on exports of basic foods and minerals while its manufacturing industry confined itself to import substitution for its relatively small domestic market.

Another important shift in attitudes, and again one that is percolating through the wider public, is the growing awareness of the economic importance of Australia's neighbours in the Asian Pacific region. What was not long ago regarded as only the yellow peril is now increasingly being seen as the white hope of Australian trade.

Government policy is increasingly twining the ideas: a full export drive aimed at the expanding Asian markets while, at the same time, offering the prospect of reciprocal benefits to its neighbours through trade liberalisation at home.

While it is often forgotten in Australia's heated political debate on "whether the country is going broke" that much in the economy is fundamentally healthy, as the OECD pointed out earlier this month in its annual report on the country, there is no doubt that its trading position is in a real trouble.

Australia's ranking as a world exporter over 30 years has fallen from 8th to 23rd. Its share of the world market has declined from 2.6 per cent to 1.2 per cent. The international purchasing power of its exports, compared with other major trading nations and its penetration of markets, even in the Asian Pacific region, has been steadily declining.

Several of its agriculture sectors as a proportion of their world markets have significantly shrunk, mainly because of its once major customer, Britain, joining the protectionist Common Market and the EEC's heavily subsidised exported surpluses.

Mainstay mining, while rebounding in value terms because of the depreciation of the Australian dollar, may, according to company executives, still be in for serious trouble if the world's embryonic economic recovery does not mature soon.

10 per cent growth

Manufacturing has grown at an annual rate of more than 10 per cent over many years but still only accounts for around 20 per cent of the country's export performance. Moreover, its share of world exports of manufacturers has fallen since 1953.

Mr John Dawkins, Trade Minister, recently told Parliament in an untypical word of understatement: "Our efforts to develop the exports of products in high demand have been less than satisfactory. As a result, Australia's trading performance has been relatively poor."

To ease the situation, the Government is relying on the 20 per cent depreciation of the Australian dollar since it was floated two years ago to boost revenue in the country's important commodities traded in U.S. dollars, while it also helps ensure reliability of supplies and competivity on costs through its wages accord with the unions.

Turnround

Indeed, exports of important commodities, such as coal and iron ore, aided by a burgeoning resurgence in world steel production, have provided some companies with profits rather than their having to go into the red. Meanwhile, the number of man-hours lost because of labour disputes is declining dramatically.

However, the Government realises that this is not enough for a lasting turnround in Australia's trading position. What is needed is a restructuring away from basic commodities—which can be expected to suffer from further technological advances in energy-saving substitutes — towards those "products" in high demand," namely modern manufactures and high-tech services. It must also find new markets and expand existing ones.

This, of course, will take time, and the Government has recently been emphasising that there is a longer row to hoe that just by accepting prices and wage restraint. Mr Bob Hawke, the Prime Minister, said in a major speech only a fortnight ago that the real test of his Government was whether it could see sustained growth over a long period, through Australia being transformed into an outward-looking economy.

Moreover, high-level officials will admit privately that, for the foreseeable future, the only hope for a significant overall trading improvement is in commodity sales. That is one reason why reviews are under way on export controls covering coal and petroleum.

Meanwhile, longer-term hopes are being pinned on the Government's and industry's efforts to penetrate the Asian market, with bilateral contacts being increased apace. Officials have been impressed by the iron ore industry's aggressive marketing in Europe obtaining a larger market share there, even at a time when EEC ore imports from all sources were being cut back.

While contacts are being expanded with South Korea, Taiwan and Indonesia, China is the main concern of both government and industry, with the Department of Trade recently setting up a special China section charged with the task of pin-pointing special areas where Australia has the best opportunity to place its products.

Officials believe that Australian industry has already managed to establish a base on which to build. Australian exports to China increased by about 75 per cent over the past year, and several joint mining projects are in advanced negotiation.

The realisation has also been growing that Australia often has more in common with commodity-based developing countries, Canberra is actively pursuing the possibility of a formal alignment of the trading nations in the Pacific basin, though even Mr Dawkin admits that it will probably be 25 years at least before such a trade grouping could be truly effective in global policy.

It is in this vein, however, that Australia is seeking another round of multilateral Gatt negotiations, in the hope that an Asian Pacific alliance could gain agreement for greater access to the U.S. and EEC markets.

However, it is unlikely that Australia and some other Pacific Basin countries would participate if there was no concrete pre-commitment to deal specifically with trade distortions in primary products, especially with agriculture.

The current Australian Government has decided, at least for the time being, on a relatively low-keyed approach in its dealings with the EEC, in contrast to its predecessor, which took the opportunity to lambast European protectionism and subsidy on any given occasion.

The Hawke Government wants to be seen to give the new European Commission, which is pledged to end the Common Agricultural Policy's open-ended subsidy, a chance. Privately, however, officials are more than sceptical that much will be done by the EEC's member-states to change a policy that is estimated to be costing Australia at least A$1bn a year, or the equivalent to the whole of its record exports to China.

Back at home, the emphasis is on attempts to stimulate manufacturing and high-technology exports. Here, the news is both good and bad. The manufacturing industry is almost certainly leaner, due to the world recession's forcing a cutback on costs and, therefore, more internationally competitive than it has ever been. But, as even the Government consistently notes, it is still short of capital and lacking in international marketing skills, and industrial economists say they see no signs of any significant re-investment or, more importantly, major new investment.

The Government has instituted several limited assistance programmes agreed by itself, business and unions to promote greater productivity and efficiency linked to greater competition from imports, notably in the car industry. Similarly, assistance programmes are in train for computers, steel and shipbuilding, with another promised for industrial research and development.

Initiative

There may also be forthcoming next year a Government initiative to provide greater export incentives for manufacturers of specialist products such as solar heating systems, roof tiles, yachting equipment, biotechnology and industrial ceramics. It is this scale of business which has achieved continuous growth in world markets in recent years: heating and cooling equipment, electro-medical equipment and medical instruments.

Critics say, however, that it all may be too little, too late.

"Australia blew its advantage years ago after the second oil shock," says one leading industrial economist. "At that time it could have used its cheap energy resources to establish value-added industry on a real scale.

"We can't do much more now than to twist a few foreign arms, saying that, if you want to sell more high-tech to us, then you'll have to make more of it here. We're still stuck with our commodities and that means when the U.S. sneezes, Japan catches a cold and Australia gets the flu."

Major sectors: contribution to GDP

Listed here is the contribution of major sectors to Australia's gross domestic product and to exports

Year	Gross domestic product*¶	Agriculture, fishing, forestry	Mining	Manufacturing	Tertiary	Total exports†¶	Agriculture, fishing, forestry‡	Mining‡	Manufacturing and other
		Contribution to GDP by					Contribution to exports by		
	$m	%	%	%	%	$m	%	%	%
Average of three years ended:									
1953-54	7,347	19	2	27	52	1,567	84	7	9
1963-64	14,690	13	2	27	58	2,311	79	7	14
1973-74	38,795	8	4	23	65	5,868	54	24	22
1976-77	65,065	6	4	21	68	9,810	47	30	23
1977-78	81,132	5	4	20	71	12,050	45	30	25
1978-79	91,791	7	4	19	70	14,071	46	28	26
1979-80	103,186	7	5	20	68	18,606	47	25	28
1980-81	117,678	6	4	20	70	18,949	46	26	28
1981-82	133,103	6	4	20	70	19,294	43	29	28
1982-83	145,466	4	4	18	74	21,454	37	35	28
1983-84§	164,134	6	na	na	na	24,014	37	35	28

* At factor cost. † Merchandise exports. ‡ Unprocessed and processed. § Subject to revision. ¶ Revised. na Not available.
Source: Government statistics

PROFILE: EXIM

By LARRY KLINGER

A unique experiment

THE LINKS between government and business have always been more highely visible in Australia than in most countries, not least because of state ownership of the natural resources of which the national and various state economies traditionally depend.

This is no less true in the state of Western Australia, but Exim, the government-formed but financially independent Perth-based organisation, is an experiment unique to the country as a whole.

Its sole aim is to help see that the state exports more — goods, services, expertise—but at a clear profit to the company itself.

The Western Australian Exim Corporation Ltd., to give the full name, was established last year from a shell company left over from a complex state government deal involving private industy. Its model was that of a Japanese state trading organisation.

Mr Brian Easton, Exim managing director, said: "First of all, we gathered together a half dozen or so top professionals with special knowledge of China in particular; the rest of Asia in general and the Middle East. We have people with special experience on how to deal through Hong Kong. We have Arabic speakers."

Mr Easton himself has extensive technical and managerial experience in timber technology, industrial housing fabrication, construction supervision and company management in Europe and the Middle East, as well as Australia.


Mr Brian Easton, managing director of Exim: sole aim is to boost Western Australia's exports

"We must have value-added, before complete dependence on raw materials becomes serious. We want to lower the jobless rate in this state, and keep it that way."

One of Exim's first projects going ahead is the building in the state of a university for commercial studies to serve the Asian Pacific region. Japan has invested A$150m in the project, and Exim foresees an eventual student population of 6,000, bringing in A$100m annually in fees alone.

Other projects under way include sales of farm machinery to the Middle East and building products to China through Hong Kong. Exim is also organising talks with China aimed at setting up a joint venture to process fruit juice in Western Australia.

Other ventures, which might sound bizarre to an outsider unfamiliar with the vastness of Western Australia's arid Outback and the remote stretches of India Ocean coastline, range from the production of jewellery by coating exotic pebbles and small sea creatures with Western Australian gold, to the farming of hearty cattle over massive tracks in the state's disused northern reaches to provide low-fat hamburger meat to feed the growing Asian appetite for Western-style fast food.

Even the setting of Exim's offices illustrates the proximity, at least physically, of government and business. The state's striking new Parliament building looks down on the western end of St George's Terrace, the wide boulevard that flows through Perth's business district of gleaming new office towers. At No 197, is the 28-storey City Mutual Tower, housing many of the most important government offices, as well as those of leading mining and insurance companies. Exim's offices are on the 21st floor. Mr Burke's offices are three floors down.

Mr Easton pointed to the inner door of his office suite. "The Premier," he said, "can walk in here at any moment. Not in a managerial capacity, mind you, but with ideas or simply because he has a positive interest in what's going on."

Trade links with Peking strengthened

The China Connection

LARRY KLINGER

THE NEWLY-ESTABLISHED China Section has pride of place in the Australian Department of Trade, and is viewed in much the same way in the heart of the Government as well.

Having, through lack of global muscle, suffered over the years under the weight of the U.S., Japanese and EEC economic giants, Australia sees China not only as the most immediate opportunity to increase sales but as the obvious place to create a climate in the Asian Pacific that could guarantee high levels of trade outside the world's existing trading blocs.

The Trade Minister, Mr John Dawkins maintains publicly that China represents his department's most important task, which, his aides claim, could not be said unless Australia was convinced that relation between the countries were sufficiently good.

Advantages

Australia believes it is better placed than most to take advantage of China's outward-looking modernisation programme and that, even as China further co-ordinates future purchases to counter the big payments deficit it has incurred, Australian products will not suffer.

This optimism is based on the perceived success of Australia's long-standing political bipartisan policy to develop relations that followed the Government of Mr Gough Whitlam's decision in 1972 to be among the first non-Communist nations to recognise the People's Republic (indeed, it is not infrequent now to see in some Australian trade literature references to the Republic of China in Taiwan as Taiwan Province).

The current Australian Government under Prime Minister Bob Hawke has greatly intensified diplomatic contacts, which culminated in Chinese Premier Zhao Ziyang's visiting Australia in 1983 and Mr Hawke's visit to China last year.

These diplomatic rounds laid the basis for several co-operation agreements, notably in coal, agriculture and iron and steel, the latter of which has blossomed into concrete negotiations for two major joint projects, for a new iron-ore mine and the re-opening of a blast furnace to produce pig iron.

A programme for Australian technical assistance in iron and steel has also been established, jointly financed by the Australian Development Assistance Bureau and the Chinese Special Project Technical and Support Facility.

Meanwhile, Australia has devoted a considerable amount of its hard-pressed finance to the China operation, with Mr Dawkins announcing only late last month that he was providing an unspecified additional amount of money for his department to promote trade with China.

Additionally to the new China Section being set up in Canberra, special regional officers have been appointed to state capitals, with the number of trade commissioners, operating in China itself, being expanded. There are now four in Peking, two in Shanghai and another in Hong Kong with responsibility for South China.

Government-to-government procedures have been put in train to cover possible lines of credit, arbitration clauses and general and double taxation agreements.

"I think it is all working pretty well," says one high-level official. "China likes us. We're not big, we're not a threat, we have no nasty colonial past, no Taiwan lobby to speak of, and we are demonstratedly interested in promoting the Asian Pacific region."

The main Australian trust, he said, was to define key sectors were there is specific demand for Australian produce, such as in the wool industry, one of the few agricultural areas where Chinese policy has failed and where there has been a loss of tens of millions in the national herd.

"The bottom line, of course, is sales. But we are not trying to flog, say, dolls' eyes simply because we happen to make them. And I think the Chinese understand this."

Australian exports to China during the fiscal year, just ended, totalled a provisional A$1.06bn, more than 70 per cent up on the previous year. China's ranking in Australia's main markets leapt from 10th to 5th.

The principal export remains wheat, which is running at its highest level in more than five years but whose proportion of all exports to China is dropping as others—traditional and new—increase.

Exports of iron and steel ingots and products, in the year just ended, have doubled in value, and iron ore and concentrates rose by nearly 80 per cent. Exports of unprocessed wool nearly trebled, aluminium and unworked alloys quintupled and leather goods increased six-fold. Coal, a new export, recorded sales worth an estimated A$19.58m.

"I think we are getting it right," said an official, "but it would be silly to assume there will be 'x' billions of dollars by such and such a year. The figures will jump up and down, depending on what's happening in China. We have not definite targets.

"What we want is substantial exchanges. We want two-way trade. And we must be quite certain that it doesn't get too out-of-kilter. We must increase our ability to absorb Chinese imports."

This is one of Australia's more worrying problems, one on which Mr Dawkins was obviously pressed during his visit to Peking earlier this month.

Aluminium exports to China have increased five-fold in the last year alone. Australia believes it is better placed than most countries to take advantage of China's modernisation programme.

Exports to China

Australian exports to China in millions of Australian dollars

Fiscal year	
1975/76	220
1976/77	185
1977/78	581
1978/79	438
1979/80	845
1980/81	671
1981/82	603
1982/83	644
1983/84	609
1984/85	1,056*

* Provisional

Source: Australian Dept. of Trade.

Bidding rises to dizzy levels

Takeover battles

LACHLAN DRUMMOND

A MIXTURE of corporate vigour, mature markets, limited economic growth and a free availability of funds have spurred a hectic bout of takeover jousting which was taken to new heights in July when two A$1bn bids were announced within 10 days of each other.

The heady pace of takeover activity has created its own backlash, with Mr Henry Bosch, the new head of the corporate watchdog, the National Companies and Securities Commission, firm in his belief that there are too many takeovers and doubtful of the national benefit of many of these developments.

He is supported by establishment companies and institutions in seeking a reworking of the takeover mechanisms, while the scale of the most recent takeovers has brought a sharp intake of breath in Parliament and the Press.

The monopolies body, the Trade Practices Commission (TPC), is meanwhile committed to allowing sensible rationalisation moves to go ahead and also is armed with an Act which leaves its threshold for action at a high level and with the onus of proof of domination of a market resting with the commission.

The two biggest bids yet seen—one at $1.2bn by Bond Corporation Holdings for Castlemaine Tooheys and the other at $1.1bn by G. J. Coles for the Myer Emporium—have been settled in double-quick time, despite their size.

The TPC found it impossible to act against Coles and Myer, finding that despite the concentration of power being "substantial by any test" it could not find that the merged entity, with 20 per cent of national retail sales, would be able to "behave in the market with such discretion as to price, product and service that it will be able to remain unaffected by the countervailing actions that its competitors will take to maintain their own positions."

The Bond-Castlemaine deal has yet to be completely cleared, although the bidding stage was allowed to go ahead because of the "fine judgment" involved in determining whether it impinged on the Trade Practices Act, a matter the commission believed best left to the courts.

The fine judgment would reflect that while Bond would move from 10 per cent to about 15 per cent of the national market, the national market as such does not exist, with the brewing industry instead based on regional monopolies and duopolies and that it is not moving to "dominance" in any of the two new markets; despite this, in the end there are now two players—Carlton and United and Bond/Castlemaine — accounting for 92 per cent overall.

Convinced

For the Coles-Myer retailing merger, the speed of conclusion also reflected some corporate facts of life: chiefly, that success rested with convincing a small band of Myer family and friends representing half the capital that its price, once raised, was the right one.

At Bond, with a starting stake of 18 per cent, it was its ability to convince Allied-Lyons of the UK that $300m for its 25 per cent stake was the right price. This partly rested with the Castlemaine Board's inability to convince Allied to stay around for a possible higher rival bid from an overseas company.

Although the bids share that common thread and a similar price, the underlying reasons for the two offers are divergent, but together serve to illustrate the reasoning behind the continuing wave of Australian takeovers, where at any one time there are usually 35 bids current and many more than that being hatched in the minds of corporate executives or in the backrooms of the multitude of merchant banks and stockbrokers established in the "corporate" quarter of the financial sphere.

Coles' thrust for Myer is in the classic mould of a successful and powerful company seeking to expand its market share, with Myer additionally diversifying the group out of the lower margin supermarket and discount end of the retail market into the higher margin middle market departmental store area.

It has the financial muscle from its own successful retailing operations to finance the cash portion of its bid, plus the ready market acceptance as the best-performing retailer to allow hefty placements of its shares to ensure it does not over-reach on borrowings.

That is backed up by confidence that its own management skills will allow it to win from Myer something more than can existing management, plus a cyclical indication that Myer is about to pull out of a self-induced three year earnings slide and moving to a new phase of prosperity based in part on shifting demographics.

With 16 new banks due to be licensed soon and more than 50 merchant banks backing up the existing big four trading banks and the half dozen aggressive state banks already operating, finding lenders willing to listen is no problem, particularly with traditional lending demand relatively low because of the generally strong level of corporate performance and lack of impetus for big grass roots expansion, particularly in the resources area.

Indeed, most senior executives spend considerable time turning down financing or takeover deals bubbling up through the ranks of the takeover specialists and would-be advisers.

All could find their takeover wings clipped in future, however, as the national companies and securities commission has commissioned the first serious study of the effects of takeovers in Australia to provide it with the base data to draw conclusive assessments from which to base further changes and alterations to the takeover law.

Already its head, Mr Henry Bosch, has proposed a shift from the current black letter approach to the law to a more London-style discretionary panel and is also looking at lowering the takeover threshold point from 20 per cent to 10 per cent.

It has also devoted much attention to the partial takeover, a commonly employed tactic where first 20 per cent — the stake allowed before a bid must be made — is assembled with a bid then launched for a further 20 to 30 per cent.

In the hands of a skilled tactician, the prospect of a sharply lower share price after the bid can usually draw enough shares from market-driven and performance-oriented fund managers to ensure control passes without all shareholders being able to participate fully in the premium for control which is assumed due to shareholders.

With each bid, other defects and loopholes seem to emerge, providing more than a handful of work for Bosch the sheriff and his limited bank of deputies who, as well as grappling with the conceptual complexities of takeovers, find that, in traditional Australian frontier style, there are enough entrepreneurial cowboys wearing black hats in the day-to-day share-dealing world to keep them busy.

Ten largest bids in Australia

(Figures in A$)

Bidder	Target	Date	Total valuation
Bond Corporation	Castlemaine Tooheys	July 1985	$1.2bn
G. J. Coles	Myer Emporium	July 1985	$1.1bn†
Elders IXL	Carlton and United	Dec 1983	$970m
BHP/Shell	Woodside Petroleum	May 1985	$800m
Bank of NSW	Commercl. Bank of Aust.	May 1981	$700m
North BH	EZ Industries	June 1984	$530m
CSR	Delhi Petroleum	Nov 1979	$514m
Cons. Foods (U.S.)	Nicholas Kiwi	Oct 1984	$453m
National Bank	Commercial Banking Co.	May 1981	$446m
CSR	Thiess Holdings	Nov 1979	$440m

Excludes BHP's A$1.8bn share of Utah acquisition and News Corporation's acquisition of Metromedia.
† Cash.

Takeovers and mergers by dominant suppliers lead to clearer divisions in a series of regional markets

A billion dollar shake-up

Brewing

LACHLAN DRUMMOND

THE AUSTRALIAN brewing industry has recently witnessed the final stages of an unprecedented five-year consumption binge in which the companies, rather than their products, have been the most heavily consumed commodity.

Some of the mergers and takeovers have themselves been the product of the changing nature of the industry from one of steadily growing consumption to one of mixed decline and advance in the face of shifting social preferences and rising excise taxes.

Others, like the biggest and most recent $1.2bn takeover of Castlemaine Tooheys by Bond Corporation Holdings have been driven more by the desire to gain control of the still generally stable and predictable profits and cash flows of the brewing industry.

In the process, the Australian beer market has been essentially slimmed to two major producers —the Elders IXL group's Carlton and United Breweries and the Bond Corporation's Swan and Castlemaine Tooheys.

Between them they account for just on 92 per cent of the national market for beer, with Cub perhaps having a one percentage point advantage over the newly-formed Bond stable.

However, that market dominance is not based on even market shares of the national market.

The national market exists mainly as a statistical notion rather than a marketing target, but the latest shake-up—and the earlier takeover efforts and current marketing policies by Cub—suggests it will become more of a reality.

As the industry now stands it is more cleanly cut as a series of regional markets, in the main served either by a monopoly or clearly dominant supplier.

In Western Australia, Bond's Swan Brewery is the only local producer and has about 95 per cent of the market, with Cub, the Foster's brewer, the main "import" competitor

Cub, meanwhile, enjoys a monopoly-producer status in its home state of Victoria. Taking about 95 per cent of sales with increasingly vigorous competition from its neighbouring states of South Australia, NSW and—across the water—Tasmania.

Cub also enjoys a significant slice of the South Australian market, where it also owns one quarter of the dominant brewer in that state, SA Brewing Holdings, which in turn has a small stake in the tiny Coopers Brewery in that state.

In Tasmania, the industrial Equity Ltd group has had control of the cascade boags operation for a little more than a year. It is the only producer in the island state and dominates in a market where Cub also draws some additional volumes.

Market shares

In Queensland, the Castlemaine arm of the new Bond group member has 75 per cent of the market; with Cub's offshoots in that state taking the remainder.

The only competitive market is in NSW, the biggest population state where Tooheys arm of the Castlemaine Tooheys Group — merged in 1980 — has about 55 per cent of beer sales. Tooheys built itself from a junior position in the market with an aggressive single product marketing campaign in the 1970s and 1980s which it backed with heavy spending on upgrading capacity and a deft reading of the shift in emphasis in beer sales away from the pub and to the licences club and take home areas.

Its traditionally far stronger opponent, Tooth, faltered with a poor product, outdated plant and a deep involvement in pubs that became decreasingly relevant with the outlawing of tied houses in 1975 and proliferation of licenced clubs.

Tooth was taken over by the Adelaide Steamship group in 1981 and, in mid-1983, Cub — taken over by Elders as from early 1984 — snapped up the rebuilt Tooth brewing interests for $180m to better assault its only significant rival, Castlemaine Tooheys.

Importantly, Cub did not buy the pub freeholds and is currently entangled in legal actions to stop the May move by Castlemaine Tooheys to take a head lease from Adsteam over 248 pubs.

Despite the formal end of tied houses in 1975, Castlemaine would probably gain 2 to 3 points of market share in NSW by simply building itself to its normal NSW market share in these outlets, where it currently holds only some 25 per cent or less against the cub brands.

The Cub challenge is set down for hearing later this year and the result will have important implications for both sides battling in a market place where each percentage point is hard — and expensively — won.

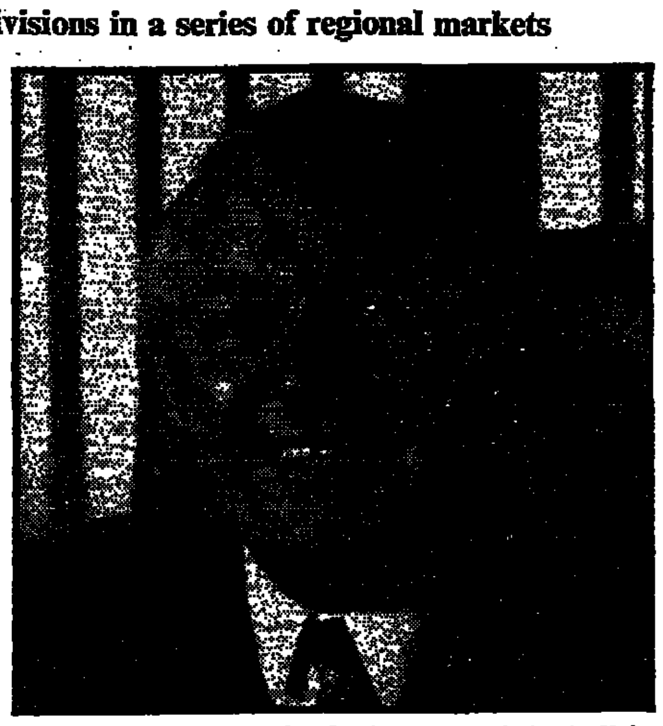
The Cub market battle will be made the more difficult with Castlemaine Tooheys introduction of packaged versions of Bond's Swan beer into its distribution network, a step which will give Castlemaine Tooheys a three-brand assault on the consumer's palate from its own resources — four, if the Guinness it brews, under licence, is included.

The concentration of the industry meanwhile comes as the industry appears to be returning to a period of reasonable growth after a 10-year period when average volume declined by 0.72 per cent compound within a broader 20-year trend of 1.9 per cent compound annual growth in volume.

Castlemaine Tooheys has forecast that its overall beer volumes will rise 1.3 per cent for 1985-86 — about the same as in 1984-85 — with further growth of 1.7 per cent and 1.8 per cent in its Queensland and NSW markets in the following two years, in line with adult population growth estimates.

That suggests an end to the steady decline in *per capita* consumption in Australia over the past decade from 140 litres in 1974-75 to 118 litres a head in 1983-84, a statistic the Australian Associated Brewers (AAB) has co-related with successive increases in excise duty, which since 1983 has been indexed at a level which the AAB says works out as a 155 per cent tax rate on an *ad valorem* basis on the wholsale price of beer.

On the issue of a 750 ml bottle, the AAB says the excise rate of 50 cents compares with an equivalent 34 cents in the UK, 6 cents in the U.S. and 4 cents in West Germany. Among beer-drinking Western nations, only Ireland's 62c of tax per bottle is worse.



Big bidder: Mr Alan Bond, chairman of Australia's Bond Corporation

The decline in beer consumption has been matched by an increase in *per capital* wine consumption from 12 litres to 19 litres over the same period, with wine only recently being hit with a 10 per cent sales tax.

Part of the response from the brewers to the domestic outlook has come in product development of low and minimal alcohol brews to match the shift to far harsher drink driving laws and random testing of drivers and also to seek greener export pastures.

Exports

In many cases it has involved "internal" exports to other state markets, although almost all have now developed a wide export presence outside Australia.

Cub's Fosters is distributed to 80 countries and for some time has been successfully brewed and marketed in the UK under licence to Watney Mann Truman, the Grand Metropolitan subsidiary.

Castlemaine's Fourex is a more recent licence product in the UK, proving a successful launch for Allied-Lyons, the former 25 per cent shareholder in Castlemaine.

Swan has long been available in the UK through a variety of distributors, although with the change of ownership for Castlemaine, Bond Corp will be looking to see if Allied would tag on Australian Brewed Swan as a pacaked brew for distribution alongside the Castlemaine Fourex draught.

Castlemaine and Swan have yet to enter the U.S. market, but with two or three separate products to offer it will be seriously exploring this market as a means of increasing volumes at its domestic breweries.

Cub is well-established in the U.S., with its big 750 ml (26 oz) cans, dubbed "Depth Charges," already part of New York folk lore. At the other end of the Australian scale, the tiny Coopers in Adelaide has carved itself a small cult niche in the U.S. for its sedimented brew, much as it has intheEastern states of Australia.

These export exercises and extra production volumes they represent are increasingly important for the Big Two in the industry, each of which cannot afford to relax for a moment from bending to the task of first supporting the borrowings incurred to take them over and second to generate surplus cash flow and profits to support the broader operations and ambitions of their owners.

For Elders, those broader operations cover rural agency, financial services, international trading and resources and, for Bond, a diverse range of property, television, retailing, airships, resources and oil and gas. The ambitions for both seem boundless.

Signs of upturn at last for chain stores

THERE IS a retailing adage that if you get the buying right, the selling will look after itself —and clearly G. J. Coles and Co reckons it has got the buying right with its A$1.1bn takeover of Myer Emporium.

What its takeover of Myer, the leading departmental store retailer in Australia brings to Coles, the biggest supermarket and discount store operator is, by most measures, mind-boggling.

Together the two account for 20 per cent of Australian retail sales, which for the latest year to June 30 totalled A$47.07bn, up 7.4 per cent.

That sort of market share is unequalled in any major western country and by comparison, putting the biggest food retailer and biggest department store retailer in the U.S. together would bring only 4 per cent of national retail sales, while the same exercise in the UK and Japan would produce only 8 per cent and 2 per cent of retail sales.

Those comparisons also underline the level of concentration already established in the comparatively small Austrajian retail market, reflecting the high levels of market share required to win the sort of high volume efficiencies deemed necessary for successful retailing.

Much of that concentration of retail power has come from grass roots expansion along with the rapid post-war growth in the Australian population, although there has already been a fair share of takeover activity to tack on additional sales volumes for the more successful among the dwindling band of major retailers.

The Myer Coles merger itself sparked the merging of the Woolworths retailing interests with the Safeway Australia supermarket chain, a A$150m plus deal which adds $1bn of sales to Woolworths, taking its combined retail market share from 7.9 per cent to 10 per cent and its national stake in the branded food retailing end of the market to just on 30 per cent.

Along the way to the altar, Myer had, in 1983, picked up the Grace Brothers department store chain in NSW for $213m and the smaller Boans group in Western Australia, while Coles has in recent years added smaller specialty chains such as Ezywalkin and Fays in shoes and the Katies Fashion Stores to its supermarket, Variety and K Mart discount store businesses.

Looked at over the past five years, the four big players in retailing — Coles, Myer, Woolworths and David Jones — have exhibited the traits of the big and rich becoming bigger and richer, taking their combined market shares from 22 per cent of retail sales to 30 per cent.

Coles, largely through its K Mart operation, has been the biggest winner with an increase from 9.1 per cent to 12.8 per cent as at January last, with Woolworths ahead from 7.2 per cent, the Myer-Grace Bros group from 6.4 per cent to 7 per cent and the smaler up-market David Jones group adding 0.2 percentage points to 1.5 per cent.

Retailing

LACHLAN DRUMMOND

But there has been an element of growth for all in the retail market — except, perhaps, the corner store operator — as new contestants continue to emerge and prosper, with Hongkong Land's Franklins discount supermarket operation gaining the largest share of the NSW grocery market at almost 25 per cent — equal to 10 per cent of national grocery sales and 1.7 per cent of overall retail sales — inside a decade and the Safeway group winning close to 10 per cent of grocery sales and 2.2 per cent of overall retail turnover in two decades from its Victorian base.

Added to this, the Liberman family, which has linked with the South African Pick N' Pay group to establish Australia's first hypermarket, has a shade over 1 per cent of retail sales through its other discount grocery operations while Davids Holdings, through its links with various chains of independent foodstore operators, effectively has 15 per cent of national grocery sales as a wholesaler.

Franchised convenience store chains such as Jewel, Shoeys and Foodplus are also flourishing by offering extended hours.

Key indicators for the retail sector are showing somewhat contradictory messages, with consumer sentiment generally positive but with the household savings ratio remaining in the relatively high 16 per cent plus zone compared with a more normal 12 to 14 per cent.

It is thought that as interest rates decline there will be greater incentive for consumers to unlock some of that spending power, although whether this sentiment overpowers the squirrel mentality of consumers, at a time of pressure on real spending power, will crucially determine the future trends of retail sales.

However, stockbrokers Bain and Co concluded in a recent major study of the retail sector that the long decline in growth rates for current dollar retail sales was at last giving way to cyclical upturn, an upturn—in constant dollar terms—that had been masked by the divergent trends between CPI inflation and slower growth in retail prices.

The fly in the ointment is the continuing pressure on real disposable incomes, although Coles' K Mart operation and Myer's Target Discount chain are already well established with combined sales of $2bn and dominance of the budget market to benefit from any swing downmarket.

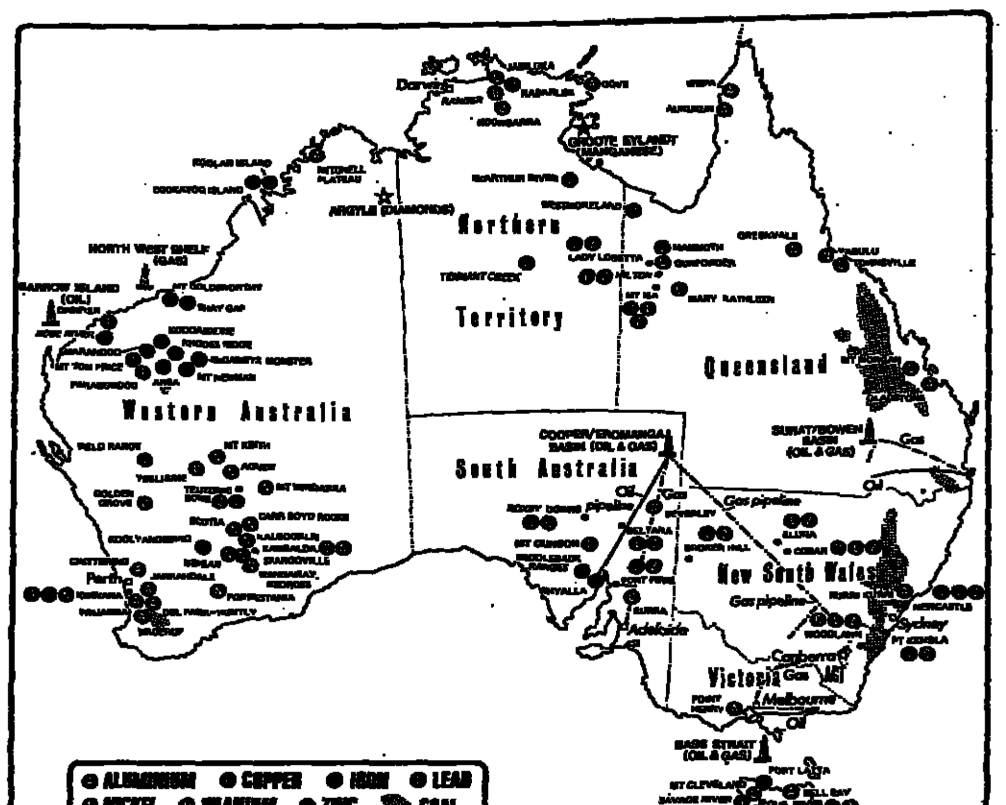
Overall, Coles Myer is well balanced with 25 per cent of sales to be drawn from department stores, 23 per cent from discount department stores, 33 per cent from food, 10 per cent from Coles' non-food and a further 10 per cent from its speciality clothing, shoe and rinks outlets.

Meanwhile, Woolworth's takeover of Safeway will further entrench its position in the highly competitive food retailing sector where the proportion of sales from that sector will rise from around 80 per cent to 85 per cent, although it will gain a better geographic balance, taking its Victorian market share up to its national average of 30 per cent, and taking its stake in the faster-growing Queensland market above 40 per cent.

It also gets Safeway of the U.S. as a back-stopping 20 per cent shareholder, which with friendly institutional interests should give it a solid base of support at around 40 per cent of capital against any predatory interests which may latch on to the 10 per cent stake in Woolworth that Coles must sell as its only concession to the toothless monopolies regulator, the Trade Practices Commission.

Fresh confidence in the iron ore sector

Natural Resources



With the depreciation of the Australian dollar, coupled with Asian economic expansion, the Australian iron ore industy is well placed to increase its output and remain competitive.

OPTIMISM PERVADES the Pilbara, the *world-leading iron* ore district in the northern wilds of Western Australia. After *reeling under successive* world price cuts and a much longer history of debilitating *labour strife, the major mining* companies have a genuinely happy tale to tell. The Pilbara is, as the official tourist travel brochure proclaims, "where the excitement is real."

The reasons for the *optimism* are various, of which the most important are:

● Greater demand because of a burgeoning resurgence in steel-making, especially in Japan, which still relies on Australia for about 48 per cent of its ore supplies and which recently agreed to a 1.75 per cent ore price rise, albeit after two years of cuts of around 12 per cent each.

● Increased revenue in terms *of Australian dollars, following* the currency's recent 20 per cent depreciation against the *U.S. dollar. Significantly,* Hammersley, which, together with Mt Newman, accounts for 87 per cent of Australia's iron ore production, only this month announced half-year earnings of A$77.6m, considerably more than double the corresponding period last year.

● Growing prospects in Asia other than in Japan, especially with China, which is expected to purchase 7m tonnes of ore this year (against only 2m in 1983) and which is negotiating with Hammersley to open a joint-venture satellite mine east *of the company's* relatively new one at Paraburdoo.

● The ability to offer greater *reliability in deliveries following* a maturing of industrial relations that has led to the formation of the *Iron Ore* Industry Consultative Council, which so far successfully groups representatives of state and federal government, employers and unions, the latter at both official and rank-and-file levels.

Agreements

The only significant cloud over labour *relations* was *lifted* this month when the Federal Government reached agreement with the Australian Trades Union Council to consolidate their national prices and wages accord.

It was feared in the Pilbara that, if these talks had failed, the mining unions might have struck for higher pay.

Mr David Parker, Western Australia's Minister for Minerals and Energy and chairman of the industry's consultative council, says: "Prospects for iron ore are now looking better than at any time in the past 10 years."

The most striking element of the Pilbara's current success story is the new rapport between employer and employee, which, according to both officialdom and the men and women literally on the ground, is unprecedented. It is almost unanimously said that all sides have set aside what has long been regarded as the region's traditional greed in order to make this rapport last.

While the Pilbara is wonderfully beautiful to the nature-seeking traveller, to the people working there it can be simply a remote and lonely outback with a harsh climate, where levelling mountain tops to extract ore 24 hours a day, seven days a week, is a difficult and dirty way to make a living. Tempers are apt to fray.

The industry is only 20 years old — and, surprisingly, the region, with its *officially* estimated 15bn tonnes of "demonstrated economic resources," *which are still only being mined* at about 100m tonnes a year—was not seriously prospected earlier because *of* the national ban, until 1960, on overseas sales. Like other great mining rushes, the region was initially populated by rough-and-tumble men looking for quick, high profits and wages to take back to civilisation.

For the first 17 years, industrial relations were often *notoriously* bad; strikes were rife; overtime was plentiful, with the companies operating with *smaller* workforces but with the workers earning more.

Conditions

"The trouble was," says a *long-serving employee* at Hammensley's Mt Tom Price mine, "there were many disputes just so the men could get a change to put their feet up. Living conditions weren't good, and the nearest real town, Perth, was a thousand kilometres away to the south."

Indeed, as recently as 1983 there were 120,000 man-hours lost due to disputes, an average of about 12 per employee. This, of course, did not inspire confidence among buyers who sought reliability of supplies. Japan, for example, has since diversi*fied its sources of ore.*

Much has changed over the years. Union leaders now openly congratulate management for improving conditions across a wide range of areas, from hiring more workers to reducing overtime and assisting in home ownership to providing better sports facilities and landscaping areas with impor*ted trees and flowers.*

Management nowadays complements the unions for a greater willingness to negotiate before taking industrial action and a tendency to moderate their claims.

The recent recession in steelmaking and the consequent *fall* in ore demand and the bout of price-cutting has undoubtedly played a part in developing prudency, but many in the Pilbara seem to agree that there has been a wide "maturing" of relations, based on a new trust developed through efforts from all sides.

Both management and union officials note each other's growing expertise in their jobs, with management particularly pointing to a reduction in demarcation disputes.

Mr Parker comments: "Up until 1983, there was little improvement. The range of disputes was consistent with the pattern over the previous 17 years.

"Ships had to be diverted to India and South Africa. Last year, no ships were diverted. And this year, touch wood, we expect a further considerable reduction in lost man-hours."

Mr Jack Marks, assistant secretary for Western Australia of the Amalgamated Metal Workers' Union, says "Several years ago man-hours lost in disputes were averaging 7 per cent. We expect this to get down to about 0.05 per cent."

A major catalyst in the Philbara rapprochement was the formation, a year ago, of the consultative council, which meets in full session four times a year, and more often through its three sub-committees.

Hailed as a success by its *participants almost from its* inception, the council proved its worth this year when it *toured Brazil to discover what* might be in store for Australia from the major new iron ore mine being developed at *Carajas in the Amazon Basin.*

The official report on the visit concluded that Carajas is likely to have a difficult financial history for the first 10 to 15 years, starting at an optimum economic scale of about 25m tonnes, because the real price of ore is unlikely to rise significantly until the mid-1990s.

However, it warned that, if Brazil does not decide to balance world supply and demand, it could seriously depress the world market price *if it did not* reduce output at its other mines and increased Carajas production much beyond 35m tonnes.

Brazilian intentions and capabilities are the main uncertainty overhanging Pilbara operations. Government officials in Perth and Canberra as well as company executives believe that Brazil does not intend to disrupt the world market by producing "social metal," to sell more at lower prices in order to improve its foreign exchange earnings.

The Pilbara also takes comfort in the fact that, while Brazil has big reserves of high quality ore, it does not produce in quantity the lump ore needed by the steel-makers for their *blends. Furthermore,* Brazil's distance from Asia will protect Australia in its traditional Japanese *market* and its *growing* South Korean, Taiwanese and Chinese markets.

Nevertheless, the council also discovered that the capabilities of the Carajas operation were extensive.

There was no doubt that, *should Brazil wish, it could* launch a serious attack on the world market. The impact was summed up *dramatically* by an on-site foreman in the Pilbara: "When I saw the photos our guys put *up in the Community* Hall, I said that, if this is how the developing countries are advancing, then we are in *trouble.* I would hate to think how much they could produce with their cheap *labour.*"

Steel plans

The other uncertainty exercising the forward-planners is *the extent to which steel-making* might pick up. Officials in Canberra say there are already some "*noises*" *indicating that* Japanese steel-making might in fact again be slowing by, say, 5 per *cent to* 100m tonnes. There is also concern that the slackening *in industrial growth* throughout the Pacific Basin could reduce the steel expansion programmes in South Korea and Taiwan.

Generally, however, the industry believes that the positive factors in the world ore trade outweigh the negatives and that this year's shipments from the Pilbara, including those to Australia's domestic steel industry in the East, will about match last year's record 91m tonnes, which was 5m higher than the previous record ten years ago and worth about A$1.8bn.

For Asia, the Australian industry believes that it can maintain its share of the Japanese market. There *has been* some additional penetration into Japan by Brazil, but this appears *to have been at the expense of* smaller producers such as South Africa.

The *industry* also believes that the whole of the Asian Pacific area will remain the world's fastest growing market for steel. The consultative council says that present indications still suggest that at least an additional 60m tonnes will need to be imported by the year 2000, with there being "no reason why Australia should not continue to supply about 50 per cent."

For China in particular, hopes remain high that the proposed joint venture with *Hammersley* will go through by the end of the year. The mine would be 60 per cent owned by Hammersley and 40 per cent by China, and would represent the Chinese Government's largest overseas investment other than in property and would produce up to 10m tonnes initially.

The industry also believes that while China *might* be reassessing its future spending plans in relation to this project *and its* proposed participation in re-opening the BHP blast furnace at Kwinana to supply pig iron, it will in any case still want to organise long-term supplies of ore to meet its aim of doubling steel production by the end of the century.

In Europe, Australia's intense marketing drive seems to be paying off, with its share of the market *rising* to almost 15 per cent last year against only 7 per cent five years ago at a time when EEC ore imports from all sources had fallen significantly.

The Australian industry also believes that because of its current port development to take larger ships and continued low freight rates to Europe, its prospects are improving.

Overall, the industry appears convinced that, with the depreciation of the Australian dollar coupled with Asian economic expansion and the *improved* labour relations allowing for great cost control, it is well-placed to continue *to modernise,* increase its output and therefore remain competitive.

LARRY KLINGER

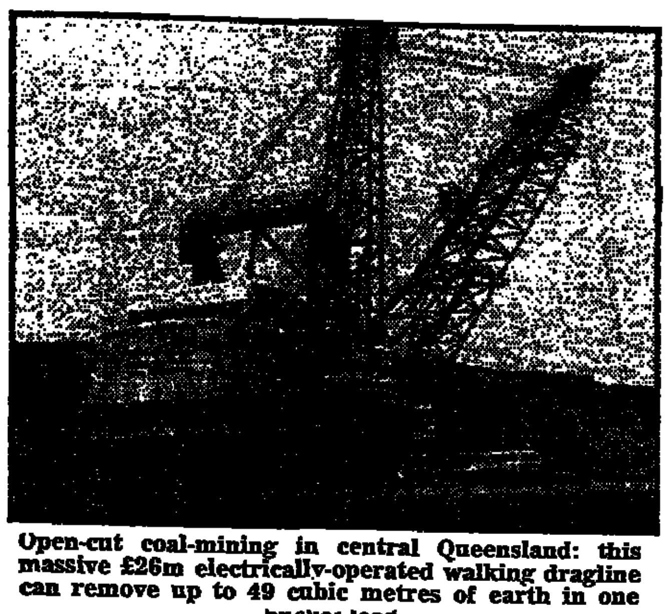
Iron ore exports

From Western Australia (dry tonnes)

1985 (projected)	90,000,000
1984	84,778,276
1983	69,564,302
1982	70,856,633
1981	68,154,329
1980	76,769,532
1975	76,809,376
1974	80,603,730
1973	70,207,843
1972	50,828,350
1971	48,377,910
1970	39,612,183
1969	21,786,764
1968	13,472,752
1967	7,457,403
1966	1,576,063

These figures are for exports of iron ore. A certain *amount of ore from W.A. is* shipped to the Eastern States. For example, in 1985 the projected *total shipments of iron* ore from Western Australia are approximately 96m dry tonnes, but of this, about 6m will go to the steel plants in the Eastern States of Australia.

Source: W. Australian Dept of Mines



Open-cut coal-mining in central Queensland: this massive £26m electrically-operated walking dragline can remove up to 49 cubic metres of earth in one bucket-load

Still top of the world's export league

Coal

LACHLAN DRUMMOND

THE AUSTRALIAN coal industry is allowing itself the faintest glimmer of a smile at the prospect of substantial—and hopeful· sustainable—profitability returning to the industry.

After a costly expansionary boost to production in the early 1980s, the downward shift in the Australian dollar this year now promises to provide the returns to justify partly the outlays of close to A$5bn in the past four years to open new capacity and to boost output and productivity in existing mines.

For much of the past year the miner's have been concentrating on ensuring that the additional capacity is translated to sales volume to generate the cash flow necessary to service the largely debt funded expansion.

The result has been a further diversification of markets away from the traditional Japanese steel and power companies, although these markets remain the chief destination for Australian coking and steaming coal exports.

It has also seen total production and export volumes at new peaks, with the June 30 annual total of exports climbing by 17.3m tonnes to 83.8m tonnes from the Queensland and NSW coal mines which serve the export markets.

At that level Australia again topped the world export trade, displacing the traditional biggest exporter—the U.S.—which has seen volumes drop from a peak 100m tonnes in the early 1980s to less than 70m tonnes in the face of strong U.S. dollar.

With these rates of export coal is expected to bring in $4m or more in export income this year, making it the single biggest export industry.

Within the national total Queensland emerged as the dominant Australian producer with a 12.4m tonne rise to 45.5m reflecting that the state has been the site for most of the large scale new capacity expansion.

During the year the MIM group's steaming and coking coal mines moved towards their 8m tonne a year capacity while the Blair Athol and Curragh projects moved towards planned output rates of a combined 9m tonnes or so.

New markets

In NSW, exports were up 4.9m tonnes to 38.3m tonnes.

Of the combined exports, the Japanese intake was up 5.7m tonnes to 43.9m tonnes, but the Japanese share of the total was down from 57.4 per cent to 52.4 per cent.

This reflects efforts to diversify markets and reduce dependence on the hard-bargaining Japanese, who in diversifying their own sources of supply by sponsoring coal developments in North America and South Africa have contributed to the gross over-supply and tight pricing in world coking coal and the more modest over-supply in steaming, or thermal, coal.

In both cases the Australian industry is believed to be running at about 70 to 75 per cent of technical capacity, with the steaming coal industry said to be running up against its economic capacity and requiring further price rises before adding additional shifts to lift output.

European and north and east Asian countries have been the mainstay to the diversification and are seen as providing the best hope for future volume growth, particularly in steaming coal, where the general market outlook is stronger than for coking coal.

For the current year, Australian Coal Association economist, Mr Warren Bennett, says for 1985-86 exports should be stable or up slightly because of forecasts of reduced Japanese steel output and slightly lower European production.

A variance in the market outlooks has also been reflected in world prices for the two main coal types, with hard coking coal exporters having to accept late in 1984—three months ahead of schedule—a rolling over of prices based on a U.S.$52.50 a tonne standard.

At the time, that represented just under A$60 a tonne, while with the current weakness of the local currency it is now translating as a more palatable A$75 a tonne.

Soft coking coal producers in April accepted unchanged U.S. dollar prices of U.S.$44.50 and U.S.$44 for the two grades of soft coking coal, worth around A$64 a tonne, after the Japanese extracted the same no-change price from South Africa. While the Japanese mills offered no compensatory tonnage increases, the shift in Japanese steel-making practice to the lower priced soft coking product has the NSW soft coking producers running hard to meet demand.

The steaming coal producers—which price in Australian dollars with reference to U.S. dollar spot prices—meanwhile won half that they sought by taking prices to a range of A$46.17 to A$50.17 from the previous level around A$43 a tonne, a large minority secured in a two-year contract with Japan's electric power development company allowing adjustment up or down for exchange rate movements and for cost increases.

The effects on an industry—both coking and steaming—generally running slightly above or below break-even, should be dramtic, although those in the industry are wary of sounding too confident lest the hoped for recovery in profits be sapped by rising wage demands or additional imposts from the various levels of government.

Big impact

The shifts in prices and currency came too late to impact greatly on the 1984-85 returns, which can be expected to show little overall improvement from the 1983-84 position, when aggregate profitability of 39 companies representing 83 per cent of black coal production was stagnant at A$218m net compared with A$216m in the previous year and A$178m in 1981-82.

That result represented a return on shareholders' funds of only 5.8 per cent, down from 7 per cent and 6.9 per cent in the previous two years and an effective return on total assets employed of 4.2 per cent compared with 1.8 per cent and 5 per cent. Although total profits may increase slightly, the profitability measure is unlikely to show any growth until the current 1985-86 year.

Existing royalties and taxes in 1983-84 accounted for A$364m of total operating profits of A$582m won by the main export members of the industry in 1983-84.

Additionally, the industry has moved to drive down its operating costs, in part through workforce reductions and through increased introduction of high productivity longwall mining equipment in underground operations.

The general shift to open cut for new mines has also dramatically improved overall per man output, rising from just under 2,500 tonnes per man year in 1980-81 to almost 3,250 tonnes in 1983-84, with a further rise forecast for the latest year.

For the future in the industry has as its brightest prospect forecasts that the current world over-capacity in steaming coal will be replaced by a small excess of demand by 1990 or the early 1990s.

Hopes are tempered by the continuing over-capacity in coking coal for thermal coal, a step which could lead to a substitution of unwashed coking coal for thermal coal, a step which would reduce the pricing pressures on steaming coal.

Equally, the main Japanese market is planning for a sharply increased intake of liquified natural gas to fire power stations and has an expansionary nuclear power generation program which could act to dim coal's prospects.

All of which should lead to a continued emphasis by both branches of the black coal industry to find buyers in non-traditional markets and to participate fully in the non-Japanese Asian growth in steel and power generation.

Exploration rises to record levels

Gold

LARRY KLINGER

ONE NEEDS no more visible proof that the boom is on again than to approach by air remote Kalgoorlie, home of the historical Golden Mile and still the centre of Australia's gold mining industry.

Below, looking like creamy white *mesas* rising from the desert in a John Ford movie, these mile wide plateaus of slime and waste rock, built in previous golden heydays, are being mined again.

It is as if Jack has climbed the beanstalk and is searching for the goose by sifting through massive 60-ft high rubbish bins.

Rising world gold prices and greatly improved extraction methods, mean that there vast tailings dumps—many of which were previously retrieved when their gold content was nine to ten grams per tonne—are now being reworked.

The Western Australia Government, which is conducting a feasibility study on treating the more than 50 dumps, owned by the state, reckons they may hold recoverable resources, worth upwards of A$25m.

A much more important development, however, (and for the same reasons of acceptable world prices and lower operational costs) is that not only are the Golden Mile's primarily deep shaft mines in full swing again after the serious shutdowns in the 70s, but new open cut operations, of relatively low-grade ore, are mushrooming up throughout the state's goldfields.

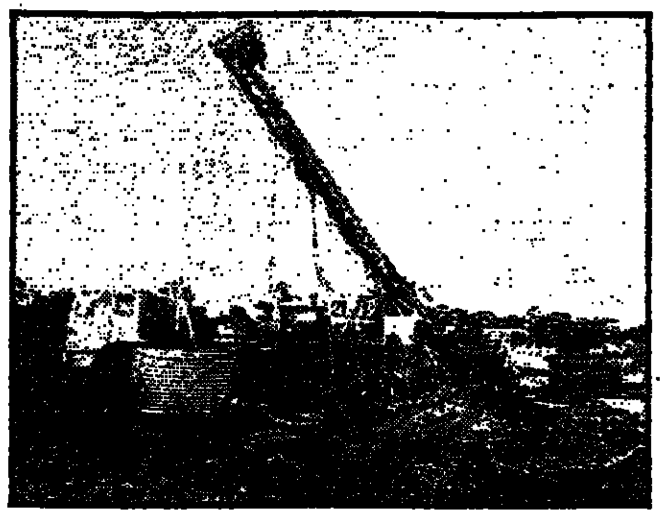
The results are impressive. Western Australia, which accounts for well over 80 per cent of the country's total output, has almost trebled gold production in recent years from 11.2 tonnes in 1980 to 32 tonnes last year. Production this year is forecast at 39 tonnes, and could rise on present trends to 46 tonnes in 1987 and possibly even by 75 tonnes if some of the more marginal projects get under way.

This year's output is forecast to be worth about A$570m, considerably up on last year's A$420m.

Ten major operations were launched last year, there will be six this year, and another four or five are expected to open in 1986. Expenditure on exploration in the state is thought to be annually at about A$100m, against only a fifth of that five years ago. Direct new investment, in operations over the past two years, is estimated by Mr David Parker, the stae's Minister for Minerals and Energy, at around A$270m a year.

Great expectations are not confined merely to the traditional areas in central Western Australia. For example, the Worsley partnerships' projected Boddington project, just south of Perth, where significant gold reserves have been discovered in conjunction with major bauxite resources, foresees a 15-year mining operation. The A$10m project has already been hailed, though perhaps prematurely, as "the launching of an area to rival that of the Golden Mile itself."

"Western Australia at the moment is a real little goldmine" says Mr Parker. "Certainly, there is no holding the industry at the moment. The only trouble with gold, is that the situation can change every ten minutes or so."



Test drilling for gold at the Black Flag prospect, near Kalgoorlie

Indeed as investors large and small have discovered over the centuries, predicting the price of gold is somewhat difficult. However, the miners who are today involved in their highest production levels since 1941, coupled with their most active exploration in recent years, are probably more pragmatically confident now than ever before. The reason is simply that the price of gold is far from its potential peak, and in terms of Australian dollars, it is well above levels that make production profitable.

Market prices over the past few years have been running steadily at between A$350 and A$500 an oz. The 800-member, Perth-based Gold Producers' Association, which markets between 60 and 70 per cent of Australia's output, reckons that A$400 for deep-cut and A$250 to A$300 for open-cut gold, are "healthy" for most operations.

Key question

There is some concern that the international gold market might predicate too much on the troubles in South Africa, the world's biggest gold producer, and that the rush to open so many small mines could again create some over-supply. But most stockbrokers are still recommending "selective purchases" of Australian gold shares.

The only immediate concern that is truly exercising the industry, is over whether the Federal Government will decide to end Australia's tradition of not taxing gold production. The proposition to tax the industry is again under active consideration, but it has consistently been defeated in the past. This time will probably be no exception.

Canberra estimates that the abolition of tax exemption would yield A$90m in its first year, and A$100m annually thereafter. The industry, strongly supported by the Western Australia Government, maintains that the real effect would be to cut net federal revenue by at least A$60m a year as a result of increased unemployment and the consequent loss to income tax and the expansion of social security expenditure.

Western Australia argues that the industry — one of the few which is actually showing substantial growth — would be severely curtailed if a tax were imposed, especially since all the present gold mining ventures have done their sums on the basis of a zero tax rating.

It claims that A$420m worth of exploration, would be abandoned, some existing mines would close and 850 jobs in the industry would be lost, as well as up to 400 further jobs involved indirectly with mining.

Mr Brian Burke, Western Australia's Premier, told the Federal Governments' recent tax summit, "The proposal boils down to simply this: every other minerol resource is taxed, so there is no reason why gold should not be taxed, as well. But the intellectual integrity of that argument, is contradicted in the practical application."

Probably the most telling reason why the proposition is again expected to be scrapped, is the potential political cost. MPs, at both state and federal level, would almost certainly lose their seats at the next elections if the plan goes ahead.

"Five times the Federal Treasury has said we must tax gold, and each time they recognise there was a significant political problem," says a top executive of one of the leading mining companies. "We are prepared to put our hand into our pocket and fight this to the end. We obviously believe that it is quite winable.

"For the moment, the industry is in mint condition." says Mr Parker, using the *bon mot* to introduce one of the states' pet gold mining schemes — the production of a 1oz coin to compete against South Africa's Kruggerand, Canada's Maple Leaf and other bullion coins.

Would Australia's gold coin bear a kangeroo?

That question still has to be decided—even its name was still under discussion. One side, though, would have a portrait of the Queen, since the coin would be legal tender—"We think there is a substantial international market and would like to be producing our coin in a few months time, certainly by the end of the year," he says.

The gold coin will be produced at the revamped Perth mint in Kalgoorlie. It is hoped that, initially, the coin could command 10 per cent of the world market—that would be between 200,000 and 500,000 coins, requiring at least another 10 tonnes of gold a year which, jokes aside, is no laughing matter.

Angry farmers say 'We're going broke'

Agriculture

MICHAEL THOMPSON-NOEL

HOW times change. In its manifesto for the 1910 general election, the Australian Labor Party declared that "the foundation of all national greatness and prosperity must rest upon some form of agriculture or pastoral pursuits."

In Australia, it stated, nearly 80 per cent of people lived in towns, with over 50 per cent crowded into the six State capitals. "Such conditions are unnatural," said the Labor Party. "They make for degeneration, they invite disaster, they make healthy progress impossible. We must get the bulk of the people on the land."

Seventy-five years on, the Labor Party is out of favour with the farmers (as are the other two main parties), and Australian agriculture in trouble—partly, it says, because Australia's urbanised masses and political bosses have turned their backs on the land and are out of sympathy with the farmers' claims that Australia's "great natural advantages and resources are being squandered."

The potential is shackled

In the view of Mr Ian McLachlan, president of the National Farmers' Federation (NFF): "The rural sector has the capacity to contribute greatly to economic growth and employment, but that potential is being shackled."

For perspective, Australia is among the world's biggest exporters of wheat, wool and beef. In 1984-85, Australia's farm exports earned A$10.5bn (£5.3bn), which was a good slice of total exports.

According to the Bureau of Statistics, the total number of agricultural establishments is 178,700, averaging 2,723 hectares. (A hectare is 2.5 acres.) Those employed in farming total 373,100, against total Australian employment of 6.5m.

Australia is the world's driest continent. Of the 65 per cent of land in Australia utilised for farming, less than one-tenth is devoted to crops or sown to pastures.

Of Australia's total area, 63 per cent is covered by desert or semi-arid zone soils and another 14 per cent by shallow stony soils on mountainous country, leaving only small percentages where relatively fertile soils occur in areas of good rainfall. Drought, fire and flooding are common hazards. Despite the bleak physical environment against which many have to battle, Australia's farmers are highly efficient.

The eclipse of the Australian farm sector has not happened swiftly; nor is it accepted by the Government that farming is in "crisis."

At the start of this year, the Minister for Primary Industry, Mr John Kerrin, told a farm conference in Canberra that the best thing a federal Government could do for farmers was get the economy right.

"A farm inflation rate of 5 per cent is better than the doubling of farm costs between 1977 and 1982," said the minister, "and (better than) the farm inflation rate of 12 per cent in 1982-83."

He said that Labor's prices and incomes accord with the unions was better than the wages explosion of 1981, and that economic growth of 3 to 5 per cent was better than the negative growth rates of the early 1980s.

"The Government has to continue to bear down on inflation and to stimulate growth at the same time as holding down the budget deficit," Mr Kerin told his audience, few of whose members seemed at all impressed.

"It is for this reason I cannot meet the demands by specific primary industry groups for hundreds of millions of dollars," he said.

Since then, farm militancy has grown enormously, with Mr McLachlan, a 48-year-old South Australian woolgrower who moves smoothly between farming, politics and business (he sits on the board of Elders-IXL, the big pastoral-to-finance conglomerate), firing up the farmers and organising protest rallies, one of which, in Canberra, attracted up to 40,000 farmers and was seen as the capital's biggest demo since the Vietnam War.

More exports from Europe

Why are the farmers so worked up? Mr McLachlan says: "We are going broke. The average income of the farming fraternity is A$6,500. Give some licence for the fact that we kill our own meat and a few other things—double it if you like—and it is still amazing."

An obvious problem that the farmers face is the pressure of subsidised exports from Europe and the march of trade protectionism, developments that have hampered, in some cases severely, Australia's efforts to sell sugar (the Queensland sugar industry is badly depressed), wheat, meat, dairy produce, fruit, wine, and other farm goods.

It is for this reason that Mr John Dawkins, Australia's Trade Minister, made it clear to the European Commission in Brussels in June that agriculture was a non-negotiable pre-condition of Australia's participation in the proposed new round of multilateral trade negotiations under the Gatt (General Agreement on Tariffs and Trade) umbrella.

Officials in Canberra have since insisted that the world's trade system cannot afford to be fobbed off with another unsuccessful ministerial meeting, or with general hand-on-heart statements that fail to halt the "juggernaut of protectionism."

It is worth recording, however, that difficulties in some markets have pressured Australia into diversifying its export drive—with some success. For instance, Mr John Menadue, the Australian Trade secretary, said last month (August) that Australia's exports to the Middle East had risen from less than A$135m in 1972-73 to around A$1.7bn in 1983-84, when they accounted for 6.9 per cent of total Australian exoptrs and to a provisional A$2.2bn for the first 11 months of 1984-85.

In 1983-84, Australia's main exports to the Middle East were whaet, barley, live sheep meat and dairy products.

Despite such successes, Australian farmers claim they are being squeezed by rapidly rising costs.

"Costs on average," says the NFF, "are rising two-and-a-half times faster than prices received by farmers."

Before the Australian federal budget, on August 20, the NFF listed some of its main objectives:

First, it demanded that Labor remove "stifling impositions on exporters," including all taxes on petroleum products used in farming and all tariffs on imported farm equipment and parts, chemicals and animal health products.

In the budget, Labor did indeed offer some concessions. It decided to rebate in full the diesel fuel excise for farming, fishing and forestry uses.

To a farmer using 15,000 litres of fuel per year that means a saving of A$350 a year. And the Government agreed to remove remaining duties on imported grain harvesters and provide local producers with an equivalent level of assistance by way of a bounty.

According to the Government: "In the climate of budgetary restraint, the full farm cost package, which will have a full year cost in excess of £A$50m, represents a major effort to meet the highest priority needs indentified by rural interests themselves.

"It needs to be remembered, however, that primary production obtains considerable benefits from the Government's efforts to contain overall outlays and to hold down the effects on domestic wages and prices of the depreciation of the Australian dollar.'"

Second, the NFF is bitterly opposed to Labor's talk of a capital gains tax. Earlier this year, Labor unveiled bold plans for sweeping reform of the tax system, including the introduction of a broad-based consumption tax, lower income tax rates, a crackdown on fringe benefits, and a modest capital gains tax.

Humiliatingly, the Hawke Government has felt obliged to water down its tax plans considerably, so that the farmers' worst fears on the capital gains front seem unlikely to be realised.

Third, the farmers wanted tougher action on wage suppression; a complete overhaul of Australia's centralised wage-fixing system, and a reduction in total Government spending.

The demand for rural loans

To date, the Government's record on wages has been good, thanks to its pay pact with the unions, while its recent decision to cut the federal budget deficit for 1985-86 by 27 per cent, to A$4.9bn, is likely to help the macroeconomic climate, and significantly reduce pressure on domestic capital markets in 1985-86.

This is important to the farmers. Their total indebtedness at July 1984 was of the order of A$8.1bn, a rise of 11 per cent on the previous year.

According to one banker: "The strong growth in demand for rural loans through the trading banks (in 1983-84) came from the broad-acre cropping industries, as well as the sheep and cattle industries. The demand was mainly for medium to long-term lending for capital purposes, of which land purchase headed the list"—an observation Canberra will have listened to with interest.

The core of the NFF's complaints against Government policy was hammered out by Mr MacLachlan at a farm conference in Adelaide on July 30:

"The real issue facing farmers, and indeed all Australians," he said, "is the ever-increasing share of national wealth government is taking unto itself. Only two figures are needed to illustrate this. In 1953-54, total government outlays (federal, state, local and public authority capital expenditure) were 27.4 per cent of gross domestic product. In 1983-84, 30 years later, it was 42 per cent of gdp.

"To help finance this extravaganza of bigger and bigger government, total public sector borrowing has skyrocketed. It's risen from A$807m in 1973-74 to A$14.8bn for 1983-84—over 1,800 per cent in just ten years."

From the above quotation, it is clear that the NFF is not afraid to scrutinise the big picture, nor to mix its palette boldly.

Reasons for the gloom

In its most recent review of the rural economy (August 1985), the Bureau of Agricultureal Economies (BAE) predicted a fall of A$650m in gross farm product in 1985-86, to A$8.85bn, plus an expected 6 per cent rise in farm costs. A combination of the two will produce a 22 per cent fall in the net real value of farm production between 1984-85 and 1985-86. At the same time, the value of farm exports is expected to rise by a scant 2 per cent to A$10.7bn.

The man reason for the glummer farm outlook is the expected significant fall in value of the wheat crop, with production likely to fall by about 3.1m tonnes to 15.6m tonnes. The outlook is better for livestock.

The BAE's main forecasts included these:

● Wheat: gross value of the 1985-86 crop could fall from A$3.44bn to A$2.84bn in 1985-86 (−17 per cent). Wheat prices in Australian dollars are forecast to be somewhat lower than last year, as the deterioration in the international wheat market has more than counterbalanced the beneficial effects of the depreciation of the Australian dollar.

Projected 1985-86 (October-September) exports are 15m tonnes, 5 per cent lower than expected 1984-85 exports (15.8m tonnes).

● Wool: sheep numbers at March 31 1985 were about 151m, up 12m on the previous season. Shorn wool production in 1985-86 is expected to be about 1 per cent up by weight on 1984-85, for a gross value of about A$2.48bn, up 7 per cent.

Says the BAE: "The increased

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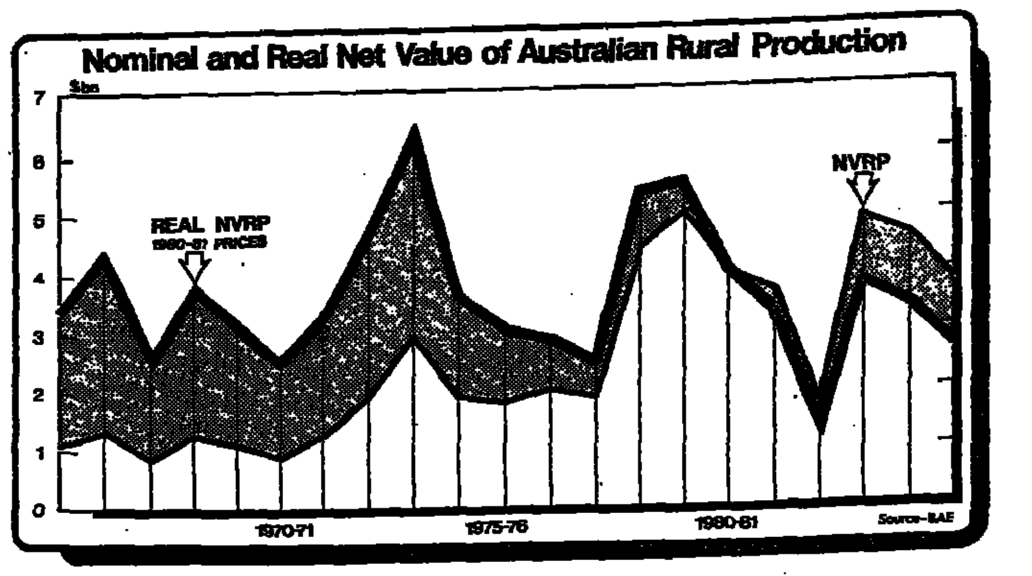
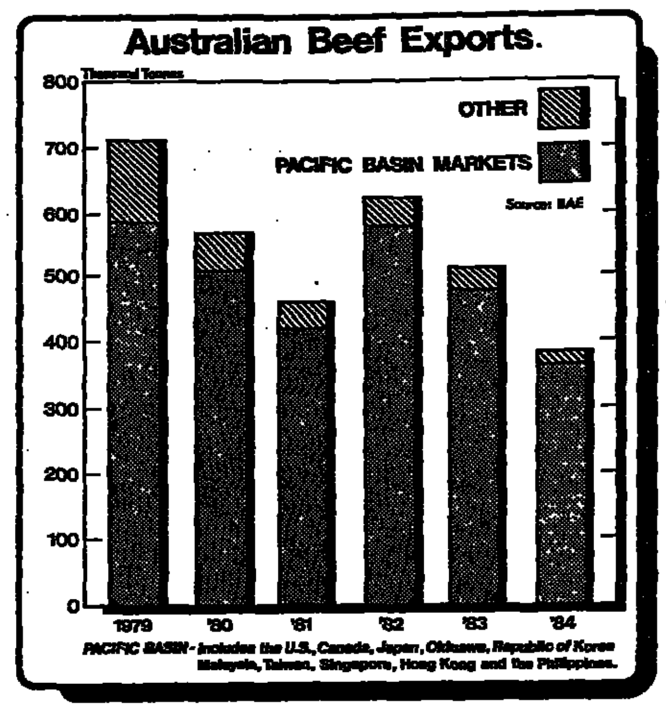
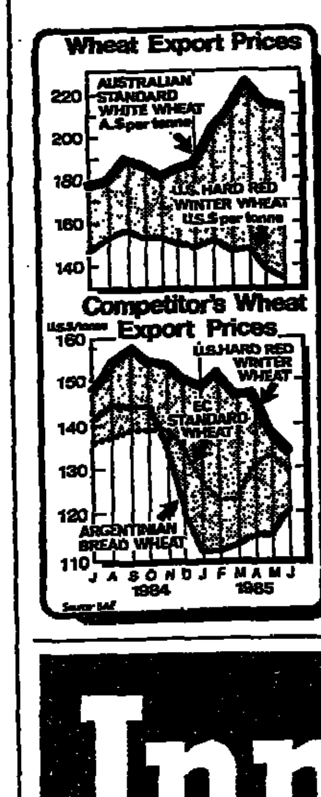






Key indicators of the rural economy

Item	1979-80 $m	1980-81 $m	1981-82 $m	1982-83 $m	1983-84 $m	*1984-85 $m	*1985-86 $m	Change from 1984-85 to 1985-86 %
Gross value of rural production:								
Wheat	2,478	1,684	2,599	1,566	3,606	3,440	2,840	−17
Wool	1,651	1,670	1,789	1,761	2,016	2,321	2,480	7
Livestock slaughterings	3,616	3,488	3,300	3,464	3,434	3,590	4,067	13
Other	4,023	4,697	4,938	4,835	6,249	6,209	6,053	− 3
Total	11,768	11,539	12,625	11,626	15,305	15,560	15,440	− 1
Farm costs	6,795	7,520	8,889	9,867	10,346	10,920	11,600	6
Net value of rural production	4,973	4,019	3,736	1,729	4,959	4,640	3,840	−17
Gross farm product:								
Current prices	7,477	7,162	7,387	5,732	9,415	9,500	8,850	− 7
Constant 1979-80 prices	7,477	6,621	7,711	6,302	8,554	8,460	7,830	− 7
Value of rural exports:								
Wheat	2,190	1,753	1,735	1,396	1,950	2,830	2,810	− 1
Wool	1,743	1,935	1,917	1,887	2,052	2,538	2,751	8
Meat and live animals	1,761	1,599	1,479	1,666	1,487	1,478	1,697	15
Other	2,591	2,914	2,809	2,462	3,025	3,674	3,442	− 6
Total	8,285	8,201	7,940	7,411	8,514	10,520	10,700	2

* Estimate.

Source: Government statistics

Australia's BHP makes some spectacular leaps abroad

Big drive into foreign markets

Profile: BHP

GORDON CRAMB

THE BROKEN HILL Proprietary Company (BHP) is the Ayers Rock of Australia's corporate landscape. The younger of the two monoliths is now 100 years old. it looms at least as large in its surrounding terrain, is accorded similar reverence by the local populace, and has recently been proving as changeable in hue.

Prime Minister Bob Hawke paid his respects at the BHP centenary celebrations in Melbourne last month to the company which has not only held long-standing command over the country's steel industry—accounting for 89 per cent of all steel sold in Australia—but, aided by a few vast-scale acquisitions, has also become a heavyweight in coal and metal mining, and particularly in oil and gas which now provide two thirds of its earnings.

Mr Hawke, whose previous encounters with BHP had been as president of the Australian Congress of Trade Unions, was required to tread more carefully than most. "I would hesitate," he said, "to offer a new aphorism, 'What is good for BHP is good for Australia.' But it is true that their futures are closely intertwined."

One vivid verification of this came in 1982, when a shakeout in the world steel industry brought the closure of large parts of BHP's prime Newcastle works and thousands of redundancies.

Many of those jobs will not return, although the company expects to ship a near-peak 6.3m tonnes of steel in its current year and is spending A$1m a day on the division. As Mr David Rice, who heads BHP Steel International, describes it: "We are not investing in capacity, we are investing in efficiency."

Pivotal role

Another illustration, more recent and more cheerful, of BHP's pivotal position in Australia's economic equilibrium was the commencement in August of work on the export phase of the A$11bn North-West Shelf energy project, which the group now controls jointly with Shell.

BHP's share in Woodside Petroleum, operator of the Shelf, is valued at some A$316m. But the company's most spectacular leaps have been made abroad, notably the US$2.5bn purchase of Utah International of the U.S., completed 18 months ago. The word "international" is now a common appendage of BHP divisional titles too, and corporate promotion as "the Big Australian" has been supplanted by the more outward-looking "Australia's BHP." The drive into foreign markets is on.

The mission, a product of this decade, has behind it a special impetus. Oil production in the Bass Strait fields between Victoria and Tasmania, discovered in 1965 and operated in partnership with Esso Australia, is due to tail off sharply from 1988.

The 500,000 barrels a day it currently provides (averaging 375,000 b/d over the last 10 years) account for 90 per cent of Australian crude output, and BHP's half share is the only significant earnings source of a division which in the year to May brought in A$484.7m of the group's overall A$774.2m net profits.

Although production from the 12 platforms is at record levels, and the operators are still examining possibilities for developing further fields in the area, they are resigned to the fact that any new reserves there are likely to be small and exploitation costs guaranteed to be proportionately large. Existing reserves of some 1.46bn barrels are expected to be halved by the mid-1990s.

The North-West Shelf should be fully on stream by 1992, but Mr Russell Fynmore, general manager of BHP Petroleum, acknowledges that cash flow from there will make up for only a part of the decline in Bass Strait revenues. The rest will have to come from "other parts of Australia and overseas."

The view was given substance when the company paid U.S.$504m for Energy Reserves Group (ERG), a Kansas-based explorer. The deal came just seven months after absorption of Utah, which had at one stroke internationalised its involvement in coal and metal mining.

The striking feature of the ERG deal, however, was not its timing or its size, but the motivation behind it. Mr Fynmore says disarmingly: "It was the management team we were after. The reserves, although nice, were secondary."

The exercise illustrates both BHPs potential to become what one Sydney broker terms the Eighth Sister of the world oil industry, and the ability of its balance sheet to withstand such leaps of faith along the way.

ERG, since renamed BHP Petroleum (Americas), is already a happy fit as the oil and gas wing of Utah. For Utah itself, though, a planned integration into BHP Minerals has still to be tackled and will be accompanied by some awkward management problems.

BHP by operating division

	Year to May 1985 (A$m) Sales	Net Profits
BHP Petroleum	1,464	485
Utah Intnl.	1,282	141
BHP Minerals	847	72
BHP Steel Intnl.	3,159	165
Total (including investment proceeds, etc)	7.102	774

Source:

The reason is that, while ERG was a purely American company, Utah has a long-standing presence in Australia through six coking coal mines in the Bowen Basin, halfway up the Queensland coast, which are its main earnings contributors. While these complement BHP's own coal, iron ore and manganese activities, the managerial units do not: duplication of posts and imbalances in career structures are freely acknowledged.

These extend in some form from boardroom to pitface (and beyond the working day—in Moranbah, a Queensland town which houses employees both of Utah's Blackwater open-cut coal mine and the neighbouring Riverside operation under BHP Minerals, the Utah mine managers have spacious homes provided on "Snob Hill," and the company mows the lawn. Their Riverside counterparts live in town).

A merger of the two is due to be effected within the next 12 months, and it remains even to be resolved whether the new unit will be administered from Melbourne or from Utah's base in San Francisco. Overseeing the process is Mr David Adam, BHP's corporate affairs director. He agrees that the period will be difficult, but adds bluntly that BHP Minerals on its own "has nowhere much to go."

"There will be some pain as it occurs. The most painful things should happen fairly quickly."

The inference is that the Utah structure will survive the more intact, and there is of course no question that it was not worth this pain. The maiden contribution of the U.S. company to BHP net profits was A$140.5m and it hal already provided the houte for BHP to take control in July of the world's largest known copper reserve which remains undeveloped, the Escondida complex in Chile.

If an international dimension to its activities is seen as the key to future prosperity, then the caveat must be entered that not all such moves have brought the rewards expected of them. BHP is hoping to achieve with Escondida what has not yet materialised from Ok Tedi in Papua New Guinea, another vast-scale copper deposit but one which has been plagued by delays. In its latest set of accounts, BHP wrote off at A$97.5m the entire value of its 30 per cent stake.

On the acquisition front, in Mr Adam's words: "We have had a couple of lucky misses. We have also had some unlucky hits."

Both categories of infelicity have been exceptions, though, and the moves abroad have left the company with as much as 18 per cent of its assets—or some A$2bn—outside Australia. Nearly all these are in the U.S., and U.S. dollar-related revenues account for some 40 per cent of that total. At the same time, something above 85 per cent of its costs remain denominated in Australian dollars, a handy position in times of a depreciating currency.

It is notable that the diversification programme of the past few years has been plotted along a geographical axis almost to the exclusion of any dimension broadening its operational range. Questions of overall policy such as this lodge best with Mr Brian Loton, the managing director, although his answers come most often in the form of listing which pockets of existing business lie away from core natural resource exploitation.

A trading arm is among the candidates most often mentioned. "We do trade in the oil business by way of promoting our major sales," he says. "We have a steel trading company in Singapore that sells steel products from other companies when it can't get them from us... We trade in a small way in coal."

Trading "is a part of the business that we are developing," but no one should get fancy ideas.

"We don't envisage ourselves being a Mitsui of this world—that is not within our competence."

The point has force. Outside Australia BHP has well-honed but, equally, well-delineated areas of expertise, and to stray very far beyond these would be a bit too wildcat for its style or for its shareholders' tastes. Domestically, meanwhile, its major constraint in many potential new areas is, perversely, its sheer size.

Defences

Integrating the steel division too far downstream, for example, could bring it into conflict with the handful of rivals to Tubemakers, its steel pipe and tube associate. A banking role in that newly deregulated industry—where it is arguably far better placed than the heavily borrowed Elders IXL, which wants one—is rejected on the grounds that it would disrupt the existing looser links between BHP and many banks operating in the country.

The desire is not just to be the genial giant. A company with BHP's special position in government rehabilitation programmes for the steel sector would do well to avoid incurring official opprobrium, for a start.

And with the sporadic, if so far futile, bid forays by Mr Robert Holmes à Court — and around a quarter of its equity now held abroad — the group needs to maintain a sturdy structure of institutional defences against "Australia's BHP" becoming someone else's BHP.

Broken Hill broken up may be heresy to most, but to some unbelievers the prospect has an allure.

● BRIAN LOTON, aged 56, came through the Newcastle steelworks to become BHP's managing director in 1982. Has been with the company for 31 years—by no means uncommon for an organisation which was once seen as an extension of the civil service.

He is known for a ready supply of cold water to pour on more outlandish expansion plans offered by subordinates, but happy that the great leaps forward have happened under his stewardship.

His style: patrician, can seem offhand; more at home with production reports than parties. A more relaxed attitude detected recently, and the occasional jaunty rejoinder: those keen to hear a diversification agenda are told, "I don't think we have looked yet at making baby carriages or biscuits."

● DAVID ADAM, 18 months Loton's junior, has been general manager in charge of corporate affairs for more than a decade. A solicitor by training, that is still part of his function. More importantly, as the only other senior manager on the main board, he is both BHP's policy co-ordinator and its public face.

Joined BHP in 1971 from a Melbourne law firm, but clearly prefers innovation to intricacies. Affable by nature, went down well with London institutions during a BHP investment "roadshow" earlier this year.

"Getting the share price up" is a mission he happily acknowledges. Thinks corporate attitudes are still somewhat out of synch with the world force BHP is becoming — "We have to manage our own destiny a bit more," he says.

Farm militancy is growing

CONTINUED FROM PAGE 12

quantity of wool purchased at auction, the reduction in Australian Wool Corporation stocks (to an end-season balance of just under 1m bales), and the increase in prices largely reflect the depreciation of the Australian dollar and continuing economic growth in the major wool-consuming countries. These variables will again be important determinants of wool demand and Australian wool exports in 1985-86."

● Beef and veal: cattle numbers are expected to rise from 23m to 23.7m by next March, Australian saleyard prices for cattle are expected to show an increase of 14 per cent, aided by an expected lower U.S.-Australian average exchange rate than in 1984-85, and a recovery in the U.S. market for imported beef.

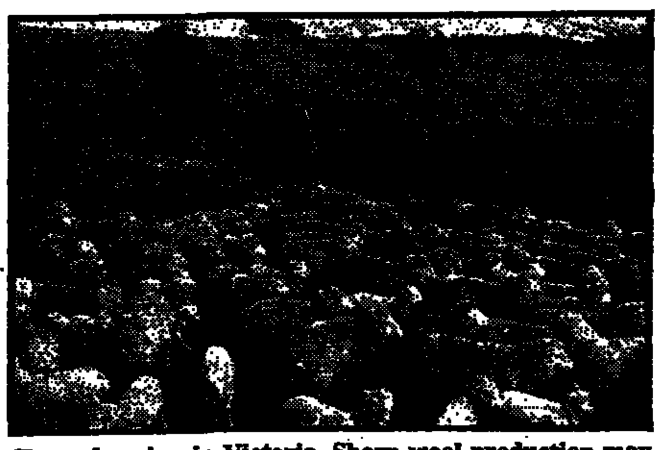
● Dairy products: exports will be sold on a very depressed world market, and little improvement in average fob values is expected.

● Sugar: total returns to the Australian sugar industry are forecast to decline from A$801m in 1984-85 to A$700m.

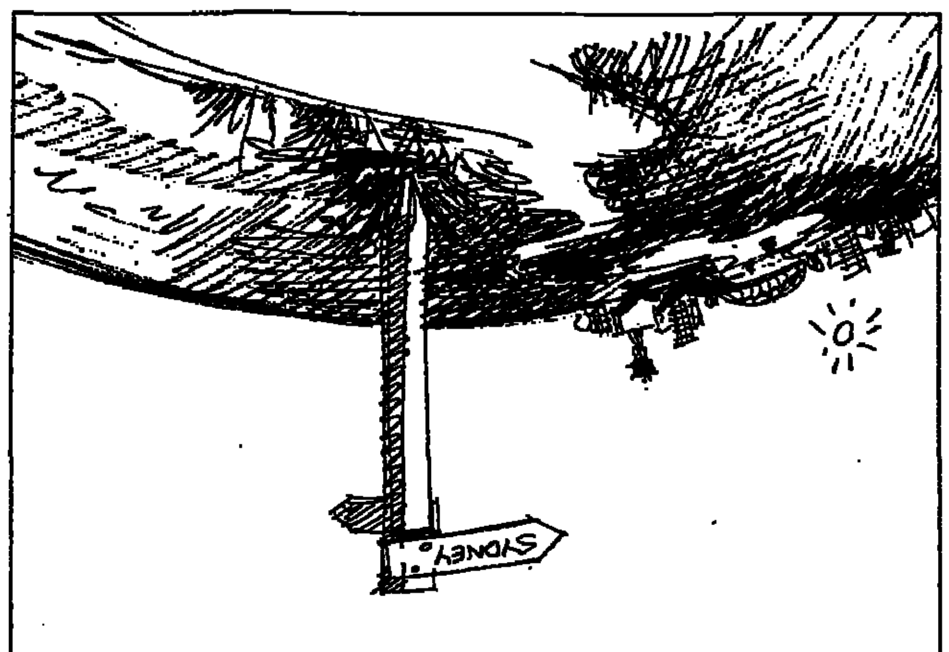
Earlier this year, in a detailed study of Australian agriculture, Dr Andy Stoeckel, director of the BAE, had this to say: "The challengeh for Australian agriculture are not short-term, and there is no panacea for immediately improving the current situation of low farm incomes. To improve the income situation of farmers there will need to be progress in all areas where policies have a bearing."

The five policy areas he discussed were trade, broad macro-economic policies as they affect interest rates and the exchange rate, the lowering of off-farm costs through greater efficiencies in the institutions servicing agriculture, on-farm productivity growth, and rural resarch and extension.

A list like that ought to keep Australia's farm leaders busy, whatever government is in power.



Sheep farming in Victoria. Shorn wool production may be up about 1 per cent this year



Gearing up for year of the cup

Life in Australia

The defence in Perth next year of the America's Cup, the yachting world's oldest trophy, will be the biggest international sporting event ever seen down under, as Keith Wheatley explains here.

FEW SPORTING events generate the level of emotional intensity that the America's Cup routinely creates. The savage man-to-man combat of 12-metre match racing, against a backdrop of national pride and millions of dollars, is heady stuff.

John Bertrand, the helmsman who won the cup for Australia aboard Alan Bond's boat, *Australia II*, was still having bad dreams about the Rhode Island start line three months after the event.

"I'd be trying to cross *Liberty*'s bow and missing her by an inch. I could hear the sound and swish of the waves," recalls the Melbourne sailor. "I could hear that American drawl 'we're coming to get you guys' and I'd wake up in a cold sweat."

Two years ago this week, Bertrand held the Auld Mug aloft at Newport. The nightmares have stopped now, but the emotions are still pumping. His autobiography, *Born to Win*, published on October 6 in the UK, has caused his former crewmates to send Bertrand to Coventry.

Designer Ben Lexcen, creator of the winged keel, plans to sue Bertrand and patron Alan Bond says he "tossed the book in the bin." The skipper's A$250,000 contract to help Bond defend the cup looks doomed.

Born to Win may smack of egomania to most tastes but it does give a fascinating glimpse of how yachtsmen, millionaire backers and, finally, the public became gripped by the battle for yachting's oldest trophy. It may also help explain why its defence in Perth, Western Australia, from October 1986 to February 1987, will be the biggest international event ever seen down under.

Three separate government-backed surveys have indicated that Western Australia can expect slightly over 1m interstate and overseas visitors in the year of the cup. On standard industry projections, they would spend £478m. But, in the dry phases of the Western Australia's Tourism Commission's marketing report, "a very high proportion of the international visitors will be corporate-sponsored with substantial financial commitments to accommodation boat-charter and hospitality. An abnormally high visitor spending rate will apply during the period October '86 to February '87."

Airport

In other words, the world's wheelers and dealers, movers and shakers are coming to Perth. Alan Bond once described the America's Cup as "essentially a marketplace. It's where very successful men come to be with other very successful men. And where men who would like to be successful gather on the periphery."

In order to shelter these corporate giants, new hotels are coming up like mushrooms. Perth now has more five-star hotel rooms than any other Australian city—and the lowest population. Although occupancy rates are fragile now, rates of A$300, treble the normal price per night, are being quoted for those lucky enough to find a booking.

Government officials tend to lash out at what they call "negative reports" of scalping over accommodation. But everyone near the action knows it is happening.

Fremantle, the Victorian port city at the mouth of the Swan River and 12 miles from Perth, is where the 20 or more syndicates will be based. Racing will take place five miles offshore, in the lee of Rottnest Island, a holiday playground once owned by gossip columnist Nigel Dempster's forefathers.

Fremantle is a free-market playpen at present. There are building sites everywhere. Alan Bond recently stopped work on a development of 45 luxury townhouses, facing the ocean. Construction costs had risen from A$3.5m to A$4.5m in three months.

With no Rent Act or equivalent statutory controls, tenants have no security in Western Australia for about one-third of the town's 20,000 population, is growing. Foreign media, yachtsmen and businessmen are leasing houses that now command A$100 per week for 20 to 30 times that sum during the six months of the cup.

For the very cream of the corporate world hotels and rented houses are not really an issue. Nearly 200 of the world's finest private luxury yachts are booked into moorings around Fremantle, Rottnest Island and neighbouring Garden Island. It goes without saying that each group of new moorings will have its own helipad.

Probably the most famous of the private yachts en route to Australia—and many of the Americans are already island-hopping across the Pacific—is the Gucci family's three-masted schooner, Creole.

Once owned by Stavros Niarchos, the 210ft yacht is currently undergoing a £3m refit in Italy, prior to her voyage. She will have a professional crew of 15.

Still on the water, Westpac Banking Corporation have chartered the 4,000-tonne liner, *Sea Goddess*, to use as a floating hospitality centre for the five months of racing. She will be based in Fremantle Harbour and go out each day to watch the sailing.

Yachtsmen out in force on the Swan River, Perth. New airport and hotel facilities are being prepared for the big build-up to the America's Cup year. Perth already has more five star hotels than any other Australian city

Westpac also plan to turn a quayside warehouse into a conference centre. The cost, in total, is likely to be around £5m, but the bank says it wrote that much business in 20 days aboard a small chartered boat in Newport during the 1983 campaign.

The *Sea Goddess* will not be alone in Fremantle Harbour. Eight other major cruise ships are expected for at least part of the racing including the *QE2* and the *Canberra*.

Including crews, the population along the Victoria Wharf during the 15 days of the final race series is expected by the city council to be around 20,000—only very slightly less than Fremantle's normal population.

Pressure

Not all the action is on the water. Perth is having what virtually amounts to a new airport for the cup. A new control tower, main runway, and international terminal are currently under construction and open in early 1986. There is huge political pressure locally for de-regulation of the airline business.

This is having some success. All-Nippon starts charter flights to Tokyo, the first direct flights to Japan, in October. Barrack Group, the corporate vehicle of entrepreneur Dennis Horgan, have applied for permission to run daily charter flights to Singapore during the cup period.

In the scheduled sector, Qantas has just announced another 1,500 seats a week into Perth. British Airways, which presently have around 60 per cent of the international traffic onto Western Australia, have already announced one extra flight per week and are considering more.

As a major sponsor of the Royal Thames Yacht Club's challenge for the cup, the work of BA is an interesting guide to how things are building up in Perth. At the beginning of the year the airline was flying documents back to London *vis-a-vis* possible sponsorship. Now it is shipping film of the British boat, under construction, out to Perth TV stations.

Next month, crewmen and personnel will begin to fly to their sailing destination and there is talk of flying the completed boat out by cargo jumbo at Christmas. Meanwhile, the cherished cup sits on the banks of the Swan River, half a world away from Manhattan and the New York Yacht Club who never dreamt in 132 years that they could ever lose the trophy—let alone have to come to the world's most isolated capital city to fight for its return.

Prices soar to new records

AUSTRALIA has been remarkably well served by its artists and painters—so much so that the art market in Australia was described recently as being absurdly overheated.

The overheating had resulted, said one commentator, from a combination of rich men scrambling to build collections, shrewd dealers, skilfull auctioneers, and some "cunning spruikers."

There was a reference to the emergence of "false values"—a muddled phrase, if ever there was one—and the suggestion that "taste" was being manipulated. It was all splendidly provincial.

On the other hand, prices for Australian works of art, particularly paintings, are certainly on the up and up—something of which Mr Robert Bleakley, managing director of Sotheby's Australia, was aware when Sotheby's launched its Australia operation in 1983.

Mr Bleakley is a specialist in African and Oceanic art, and used to run Sotheby's tribal art section in Bond Street, London.

"In 1982," he says, "we carried out three detailed market research studies, and calculated that there was about A$26m (£13m) worth of fine art sales through existing art houses in Australia. Add in the galleries and dealers and you could probably triple that. We decided to concentrate on the upper end of the fine art market."

Sotheby's is holding eight sales this year. Sales include

Art market

MICHAEL THOMPSON-NOEL

colonial painting and books, tribal arts (Australian Aboriginal and Oceanic), decorative and Oriental works, modern paintings, toys and vintage cars, and European works of art and furniture.

"Almost anybody buys," says Mr Bleakley. "The current collectors are fairly young." A major buyer is Perth entrepreneur Robert Holmes à Court, said to be Australia's wealthiest individual.

Sotheby's first Australian sale was in March 1983. Prices included A$506,000 for a three-quarter length portrait of Capt James Cook by John Webber RA, who sailed on Cook's third Pacific voyage, and survived the massacre in Hawaii; and A$176,000 for Mount Zero and Lake Taylor, Victoria, by Nicholas Chevalier (1862).

The current auction record for an Australian painting is A$800,000 for a Sir Arthur Streeton, though private sales of A$1m-plus have been reported.

At present, Fred McCubbin, a sort of bush Millet whose works (Down on His Luck, Bush Burial and The Wallaby Track), praised sweatiness and mateship and the struggles of the early setlers, commands the highest prices.

Among modern Australian painters, of whom there is a rich supply, the current auction record is A$313,500 (Sotheby's this year) for Melbourne Burning 1947-47, by Arthur Boyd, a price that more than doubled the previous record for a modern work, which was A$133,000 for The Camp (1953) by Sir Russell Drysdale.

In 1950 Sir Russell started travelling in northern Australia, which he found magnificent in dimension, old as time—a land in which men of stone-age culture were living a forgotten pattern of life in incongruous partnership with settlers, cattle kings, miners and policemen. There was room for them all, said Drysdale: camp fires and townships, Cadillacs and camels, flying doctors and corroborees.

Recently, in Sydney, there was an outstanding Drysdale exhibition. "Any major Drysdale put into a sale now would fetch between A$200,000 and A$300,000," says Mr Bleakley. "A really major one: A$400,000."

As for contemporary works, there is an outpouring of energy and talent. The banks, finance houses, mining companies and private individuals have bought prolifically, but still the production lines flow.

Publicly-funded channel in firing line all year

Controversy engulfs ABC television

QUITE POSSIBLY, Australia produces some of the worst tabloid newspapers in the world—raffish little sheets in which only the insensitive would wrap dead fish. Similarly, Australian commercial TV programming veers lazily between reliance on American imports, parish pump politics, and a raucous cockatooing of everything 'Australian.'

Twenty years ago, author Donald Horne wrote that "decision-makers and intellectuals get so used to reading about Australia in over-simplified terms, and they so lack information, that their discourse becomes brutalised when they talk about Australia. There is an irascible ignorance, impatient with complexity, and a failure to understand that policy-making involves the analysis of alternatives."

Things are better now, but not much.

There are one or two up-and-coming media barons, such as Western Australia's two top tycoons, Messrs Robert Holmes à Court and Alan Bond. Yet most media power is concentrated in the hands of Mr Rupert Murdoch's News Corporation, the Sydney-based John Fairfax, Mr Kerry Packer's Consolidated Press Holdings (now a private company), and the Melbourne-based Herald and Weekly Times group.

In the view of Keith Windschuttle, author of The Media (Penguin Books, 1984, A$12.95): "The Australian media are among the staunchest of this country's defenders of private enterprise and the 'free market.' Yet the great virtues that are claimed for this system—the sovereignty of the consumer, the efficiencies of competition, the market open to talented new entrants—are nowhere more lacking than in the structure of the media business itself. . . In terms of markets, the concentration long ago produced nearly pure monopoly."

At a recent count, Australia had 50 commercial TV stations, 136 commercial radio stations, 521 newspapers (including 55 dailies), 1,400 magazines and 785 cinemas—all this for a population of 15.2m spread across a land mass roughly equal to that of the U.S., though much of the population, to be sure, is compacted into the major media markets of Sydney, Melbourne, Brisbane, Adelaide and Perth. (Sydney has 1m TV homes. The smallest TV market, at least until recently, was Mt. Isa, in the Queensland Outback, whose 6,000 homes are served by its own TV station).

The media

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At present, things are relatively quiet on the commercial TV front, though there was a flare-up recently when the Communications Minister was unwise enough to criticse Kerry Packer's Channel Nine for "abysmal and inadequate" coverage of the Test cricket from England.

"I believe Channel Nine has done more for the coverage of live sports internationally than any other network in the world," claimed Mr Packer baldly (and wrongly), before vowing not to cover Test cricket in England again.

A controversy of a far more substantial nature is the one that has engulfed the Australian Broadcasting Corporation (ABC) which is funded publicly and has been in the firing line all year.

The ABC is a faded imitation of the BBC, some of whose programmes it carries, but on August 12 the fat truly hit the fire when some of Australia's leading writers (including Patrick White and Thomas Keneally), artists, judges and other prominent figures signed an open letter in which they accused the ABC of a "clownish quest for popular 'relevance'," and called on the Government to institute an inquiry.

According to the letter: "The corporation is now neither a great transmitter of culture nor an efficient commercial broadcaster. It has fallen between two stools. In doing so, it has lost its authority and integrity, and with them that respect and affection among all sections of the Australian public which was once a real thing . . .

"The question has to be asked whether Australians are prepared to watch a greatly-loved institution destroyed by mediocrity. If we do, we will stand condemned as a society which wants nothing but trivia, and in which high culture has ceased to matter."

On August 26, Mr Geoffrey Whitehead, the ABC's managing director, said the corporation was not "drifting," but attempting to sort out its problems.

The ABC's current annual budget is nearly A$400m (£200m), though the staff has claimed that the Government should consider giving the ABC another A$20m to fund work on satellite transmissions. The suggestion was brusquely rejected by the federal Treasurer, Mr Paul Keating, who is never averse to putting the boot in.

Asked about the staff claim, Mr Keating said: "They won't get another zack out of us." He also drew attention to the manner in which ABC journalists have recently used much of their own airtime to focus on ABC organisational and financial matters — "boring everybody stiff," said the Treasurer, "with their problems."

The ABC has one consolation: its affairs could hardly reach a lower ebb.

New pleas for improvements

Aboriginal rights

MICHAEL THOMPSON-NOEL

Australia's bicentenary is only three years away, but the Aboriginals may have little to celebrate. Experts warn they could "die out quite rapidly," unless lifestyles are improved.

THE DESCENT and dispossession of Australia's original inhabitants, the Aboriginals, can be traced, swiftly and graphically, in the earliest writings, drawings, and paintings from Terra Australis once the white virus—the First Fleet, which anchored in Port Jackson (Sydney Harbour) in January 1788—had come ashore in the guise of more than 700 convicts, guarded by 200 marines and officers.

The earliest traditon, says art critic Robert Hughes, was to fit the Aboriginals into an Hellenic scheme, giving them the classical physique and posture of *beaux-arts* Greeks adorned with war paint.

Yet when the colonists had lived close to the Aboriginals for some time, it appeared that the locals were not as noble as previously taught. "They suffered from 'weakness and ignorance"; they were frizzy-haired, spindly, dirty, intractable, thievish, and black . . . the destruction of the Australian Aboriginals had begun."

In the 1960s and '70s, says Professor Geoffrey Blainey, a revolution in attitudes to Aboriginals occurred. Respect for their cause had risen markedly, though the respect was highest in the temperate south, where Aboriginals were rarely seen.

Land rights were granted, so that by 1981 one-tenth of the land in Australia was owned or reserved for Aboriginals, who formed only 1.2 per cent of the population, making their share of the land relatively high. Most of this land was poor in soils and grasses, though not necessarily in mineral potential.

However, says the professor, the revolution in attitudes to Aboriginals was still only half a turn of the wheel.

"In education, housing, health, lifespan, and many other facets of social well-being they are relatively deprived. The deprivation, however, is no longer accepted as right or inevitable by most white people, although a minority of white people do wish for the old days of black subservience."

In three years' time, white Australia will observe its bicentenary. There will be much to celebrate, for in 200 years the former colony has shaken off its debauched beginnings and marched to nationhood. There have been years of boom, and bust, and boom again.

For the Aborginals, there may be little that they wish to celebrate. Last month (August), Professor Fred Hollows, professor of ophthalmology at the University of New South Wales and director of the national trachoma programme, told a Melbourne conference that the Aboriginals "are destined to die out quite rapidly" unless there were major improvements in their lifestyles, hygiene, and public health.

Death rate

Describing the results of a recent review of Aboriginal health, the professor said that life expectancy for Aboriginals was decreasing and the death rate among young adults rising.

"Figures from NSW show (life) expectancies for Aboriginal males similar to those of whites in 1890 and for Aboriginal females similar to white Australian women in 1910. . . . It appears the major change has been one of reducing infant deaths but not reducing the infant attack rates of infectious illness. The factors that generate Aboriginal ill health appear to be more effective than ever, and new infective and degenerative factors are gaining in strength."

Illnesses causing serious problems among Aboriginals include hepatitis, leprosy, rheumatic fever, chronic respiratory infections, middle ear infection, syphilis, gonorrhoea, and trachoma (a highly-contagious disease of the eye).

A note of unease — very definite unease — was detectable in last month's statement by the Minister for Aboriginal Affairs, Mr Clyde Holding, detailing the federal budget allocation for his department for 1985-86 of A$290.7m (£146m), up 4 per cent on last year.

In addition, other departments and authorities provide special assistance to Aboriginals. Their appropriations for 1985-86 total a further A$209.1m.

Commonwealth (federal) programmes, said Mr Holding, would continue to concentrate on those Aboriginals facing the greatest threat to life and security. "Town camps and isolated communities will be the primary targets of our programmes. Water supplies and housing will receive the highest priority," he adds.

Funds had been allocated to alleviate the major health problems of trachoma and volatile substance abuse, particularly petrol sniffing in remote Aboriginal communities.

Until recently there was great emphasis on providing more land for Aboriginals, some of whom wish to revert to the traditional, nomadic lifestyles of their forebears, the first of whom arrived at least 50,000 years ago.

"On the eve of the coming of the British," says Professor Blainey, "Aboriginal Australia was divided into several hundred republics, each with its own language or distinctive dialect, each with its patriotism and customs and traditions, and each making so little imprint on the territory it occupied that, to newcomers from Europe, the Aboriginals did not even seem to be occupying it. In fact, they occupied it, depended on it, exploited and harnessed it, loved it, and even worshipped it, but in a way we are only now beginning to appreciate."

The mining industry is adamant that extended land rights is not the way to reconcile the ideal of Aboriginal control over land with the important contribution (A$11bn in exports) mining makes to Australia.

Mr James Strong, executive director of the Australian Mining Council, said in May that "by any test, the impact of the present rules governing exploration and mining on Aboriginal land has been extremely detrimental."

He spoke of the "paralysis" of exploration and mining in the Northern Territory, where exploration spending fell from A$32m in 1981-82 to A$25.6m in 1982-83 to A$11.8m in 1983-84. This was not wholly the result of slumping market prices. The national average decline in spending on mineral exploration was less than 30 per cent, compared with the Territory's fall of more than 60 per cent.

In Western Australia, the state Labor Government tried earlier this year to introduce moderate land rights legislation that had broad community support, including that of the mining industry.

Premier Brian Burke's Bill recognised long-term Aboriginal reliance on land. But there would have been no Aboriginal veto of mining and exploration. Sacred sites and living areas would have been protected, but access to land for mineral exploration and production would have been maintained.

Mr Burke was anxious to remove "currently existing oppressive elements of paternalism which are akin to a system of apartheid." But his bill was scuttled in the state Legislative Council.

Mr Bill Hassell, the Opposition leader in WA, claimed the state had been protected from "extremist legislation."

Whether the Hawke Government in Canberra makes any progress towards uniform federal land rights legislation remains to be seen. Mr Hassell, for one, has said that Prime Minister Bob Hawke "knows that if he tries to impose national uniform land rights legislation on this nation he will simply hasten the certainty and immediacy of his political demise."

In any case, there is a growing tendency not to see land rights as the primary possible solution to Aboriginal problems. "Aboriginals in Australia," says Ms Pat O'Shane, secretary of the NSW Department of Aboriginal Affairs, "suffer similar social and economic conditions to those in the Third World"—something that land rights will not automatically change.

As white Australia approaches its bicentenary, the outlook for the Aboriginals is not good at all. Yet there is more than one possibility. In the view of author and poet Judith Wright, the Aboriginals "have never agreed to tolerate us, nor bargained with us over land. In their view, they own the continent, and the land will look after them beyond our times. After all, they have survived all the changes of the Pleistocene, and their way of life, it seems, has persisted perhaps with little change since their Dreaming was laid down. There is little we can say to that."

CITY PROFILE: CANBERRA

National capital still in the making

THEY had a fun time choosing a name for the Australian federal capital, sifting—and rejecting—more than 700 proposals. Among those rejected were New London, Empire City, Shakespeare, Democratia, Federata, Pacifica, Eucalypta, Kangeremu, Wheatwoolgold, and one that comprised the first syllables of each of the state capitals: Sydmeladelperbrisho.

Finally they picked Canberra, thought to have been an Aboriginal word, though there were differences of opinion over how to pronounce it, or even what it meant. It might have meant "women's breasts," after two rounded hills, Black Mountain and Mt Ainslie, or it might have signified "meeting place."

Unfortunately, at Canberra's opening ceremony, in 1913, there were no local Aboriginals who could be consulted for a ruling—an absence deemed significant by attorney-general William Morris Hughes, who spoke at the official luncheon.

"We are engaged," said Hughes, "in the first historic event in the history of the Commonwealth (of Australia) today, without the slightest trace of that race we have banished from the face of the earth. We must not be too proud lest we should, too, in time disappear. We must take steps to safeguard that foothold we now have."

His words have been heeded, for Canberra today must rank as one of the world's most beautiful, best-planned capitals, an elegantly-landscaped city that in the view of author Bruce Grant is more habitable than Brazilia, more coherent than New Delhi, less formal than Washington.

Civil service

It used to be called "Bush Capital." That is no longer the case, though there is a marked ambivalence in the breast of many Australians when contemplating their national capital, which many still regard as Bureaucrat City: the haven of grasping civil servants who live high on the hog at the nation's expense and are famously out of touch with the affairs of the people. (Civil servants are not all bludgers, though in Canberra as elsewhere they prosper greatly).

In Kalgoorlie, the gold-mining boom town in Western Australia, I was told recently, by an irate mine manager, that Canberra was chock-a-block with third-generation civil servants. (He had never been to Canberra.)

The subject that had triggered his wrath was the then-current suggestion that the Hawke Government in Canberra was contemplating the introduction of a tax on gold production.

"Why should the bureaucrats get more and more when the people in the bush have nothing?" he asked — a line of interrogation still freely encountered anywhere outside Canberra.

In truth, the place is no longer exclusively Bureaucrat City, though the bureaucrats do stage a waspish little traffic rush at 5 o'clock which visitors in hire cars should certainly avoid, for Canberra's road system takes some getting used to.

These days, says Mr Gordon Scholes, Australia's Minister for Territories, Canberra is growing at a rate more than double the national figure, the current work distribution being 57 per cent public employment and 43 per cent private. The Government's aim is 50:50, an ambition that is being realised, for in 1984-85 the level of private-sector employment rose by 13 per cent, against 5.3 per cent in the public sector.

At 4.7 per cent, Canberra's unemployment is the lowest in Australia. The capital has attracted more than 250 technology-based firms that employ over 3,000 people, in addition to which tourism employs about 6,000 in the Australian Capital Territory, generating about A$230m (£115m) annually.

Big attraction

At present, the star attraction for visitors is the new Parliament House, a A$500m-plus building due to be opened in 1988, Australia's bicentenary, and likely to rival the Sydney Opera House as Australia's most famous building.

Other developments are in train, including the A$150m National Convention Centre which will incorporate a plush hotel and a 2,500-seat convention centre (good hotels, as opposed to excellent motels, are few on the ground in Canberra); a Museum of Australia (possibly), and so on.

"Canberra is by no means perfect," says Bruce Grant. "Within the plan some uncomfortable assertions have been made. The lakeside buildings (Treasury, Foreign Affairs, Library, High Court, Gallery, Defence) might each have been built with some other capital in mind."

But he adds: "Even they now contribute, however, to the charm of Canberra — the gross mistake, pettiness and human follies that give any city its personality. As Canberra gets older . . . the comprehension of the great Griffin design becomes more evident. It has left room for Canberra to grow into a great national capital."

The design is that of Walter Burley Griffin, an American architect who won first prize in a competition to design the federal capital. Griffin was a vegetarian and a theosophist who had worked closely with Frank Lloyd Wright.

Canberra did not progress as speedily or as elegantly as Griffin might have liked. Oskar Spate, a keen student of Australian landscape, described Canberra in the 1950s as "seven suburbs in search of a city," or "a good sheep-station spoiled."

By the mid-1970s, however, when Canberra's population passed 200,000, the Fraser Government was allowing monumental projects to proceed, so that Canberra in the view of historian K. S. Inglis, has become the best place to see new Australian architecture.

On the southern shore of Lake Burley Griffin are the excellent buildings of the High Court and Australian National Gallery, with the new Parliament House rising in the background on Capital Hill: a building that burrows into its circular site.

Some, says Inglis, criticise the building as a monument to executive power, a capitulation of parliament to government. Others wonder what will happen to the present Parliament House, a marvellous old building that is worth preserving somehow, even if it does block the grand view along the axis from Capital Hill to Mt Ainslie.

"What would Walter Griffin think of Canberra?" asks Inglis in his essay Ceremonies in a Capital Landscale in Australia: The Daedalus Symposium (Angus & Robertson, A$9.95).

"Its makers invoke his blessing with more or less justification," he says. "Griffin, his successors, and their clients the politicians have given Australia a capital city that delights many a foreigner"—and should please Australians, when they come to see what they are paying for.

"They make laconic jokes about the curves they get lost in, the politicians they watch from the public galleries, Jackson Pollock's *Blue Poles* (in the National Gallery), and other costly objects in the landscape. . . . There should be a fine crowd when the flag goes up over Capital Hill."

Michael Thompson-Noel

A guide from A to Z

Michael Thompson-Noel takes a broad and, sometimes, humorous view of life down under.

A

ABORIGINALS. The continent's *original inhabitants crossed* from South-East Asia at least 50,000 years ago, during the last glaciation. It *is usually* said that 300,000 Aboriginals were living in Australia and Tasmania in 1788, when the British arrived, but revisionists argue a figure closer to 1m.

For the Aboriginals, the spirit ancestors had fused each part of the country into the Dreamtime, a continuum of past, present, future. With the British came disease, alcohol, wool-boom, gold-fever, dispossession. In 1981, the number of Aboriginals and Torres Strait Islanders was 159,897, 1.1 per cent of the population.

About half the Aboriginals live in cities and towns. Attitudes to Aboriginals have improved markedly in the past 20 years, but some health workers think the Aboriginals' future is bleak.

B

BANKS. There are four main Australian trading banks (Commonwealth, ANZ, *Westpac, and* National Australia), soon to be augmented by a clutch of foreign newcomers *as part of* Treasurer Paul Keating's brave new world. Westpac is the world's 68th largest bank to total assets, and 20th by profits.

Nicholas Whitlam, of the State Bank of New South Wales, has claimed that Sydney could overtake Singapore and Hong Kong as Asia's offshore banking centre, given the right push; 70 per cent of Australia's wholesale banking and financial institutions are headquartered in Sydney, as are the Reserve Bank, plus Australia's only futures exchange and largest *stock exchange.*

Interest rates were recently on the up and up, with prime rates *moving towards 19 per cent* and 180-day bank bills at around 17 per cent.

C

CLIMATE. Australia can be hot, cold, windy, calm, and sometimes very wet. During summer, prolonged high temperatures and humidity around the nor*thern coasts* and high temperatures inland are irksome. Average annual air temperatures range *from 28°C* along the Kimberley coast in the extreme north of Western Australia to 4°C in alpine regions of south-eastern Australia. Drought is common.

To counter the heat, Australians rely on beer and beaches. (In Sydney, you need muscles for Bondi, gall for Curl Curl, money for Palm Beach. Shark warnings mean what they say.)

D

DAEDALUS SYMPOSIUM. The most recent single-volume writ*ings on Australia are in* The Daedalus Symposium, originally published in the journal of the American *Academy of Arts and* Sciences. The writers include Geoffrey Blainey (Bird's Eye View), *Judith* Wright (Landscape and Dreaming), Manning Clark (Heroes), Donald Horne (Who Rules Australia?), Gordon Jackson (Economy), and Michael Davie (Fraying of the Rope). Publisher: Angus and Robertson, A$9.95. Another excellent overview is Bruce Grant's The Australian Dilemma (MacDonald Futura).

Still essential reading: Blanche d'Alpuget's Robert J. Hawke: A Biography *(Schwartz).* Must-read novels: all of Patrick White (Penguin; start with A Fringe of Leaves *or The Vivisector*). For Dreamtime, see Thomas Keneally's Outback (Coronet).

E

ELECTIONS. Australians are besotted with them. In the last general election (December 1984) the House of Representatives result was Labor 82, Liberals 45, National Party 21. This month's emergence of a new Liberal leader, John Howard, replacing Andrew Peacock, should ginger up events in Canberra, where Bob Hawke's Labor Government has been in trouble for most of the year.

If you can, attend a House of Reps debate, but not if you're squeamish.

F

FOOD. There is no Australian *cuisine as such, but the state* capitals (and Canberra) are stuffed with good restaurants. *BYO means bring-your-own* bottle. Service can be very slow. Tipping is optional. The best food I've had was in the restaurant at the Windsor Hotel, Melbourne.

In Sydney, seek out ethnic fare (Chinese, Japanese, Vietnamese, Thai, Italian), and seafood. Australia's best restaurant is accepted to be Berowra Waters Inn, north of Sydney. Reservations only. Access by ferry, boat or seaplane. My *favourite:* Cottage Point Inn, in Ku-ring-gai National Park, also north of Sydney. Excellent *Hawkesbury River oysters,* Balmain bugs, king prawns, grilled crayfish, cream brulee, fruit sorbets, *Access by car or motor* cruiser.

G

GREAT BARRIER REEF. It's pointless to circumnavigate the world, clinch a deal in Melbourne or Sydney, and not see even a fragment of Australia. The Reef is not a continuous *object but a broken maze of* about 2,500 coral reefs, some with islands called cays, that *extends for about 2,000 kilo*metres along the eastern coast of Queensland, covering 348,700 sq km of continental shelf. *Do* what you can. Don't be clever in boats: James Cook ran aground. There are numerous island-resorts, with easy access from the mainland and packaged prices.

H

HALLEY'S COMET. It's on its way, *as are thousands of wor*shippers keen to enjoy superior Southern Hemisphere views. *The best times to see the comet* are this Christmas (December 24-28), as it approaches the sun; and from the beginning of March to the end of April next year, when it's on its way back. The day of closest approach is next April 11, when the comet brushes to within 63m kilometres of earth. Aussie share prices will probably surge that day.

I

IMMIGRATION. Australia has a non-discriminatory migration policy that is shaping a multicultural and (so far) extremely tolerant society. Entry for permanent residence is granted to those with close family ties, capital or business expertise, skills or other qualities. Australia also operates extensive refugee and special humanitarian programmes.

About 4m migrants from more than 120 countries have settled in Australia since World War II, with Britain still the largest single source country, and Asia, Europe, and Oceania the major regional sources. Settler arrivals in 1982-83 were 93,011. In 1983, 101,900 people were granted Australian citizenship.

J

JAPAN. It remains Australia's biggest export customer, but there is concern in *Canberra* at erosion of Australia's market share both in Japan and the *U.S.,* which accounted *for* A$6.5bn (26.4 per cent) and A$2.7bn (10.9 per cent) of exports respectively in 1983-84. Australia is still heavily dependent on high-volume, low-value commodities. As a world exporter it has slipped from eighth in 1953 to twelfth in 1973 to twentythird in 1983.

K

KALGOORLIE, the gold-boom town of Western Australia. Walk carefully and you might disturb a nugget. Alternatively, hire a metal detector, a tent, a four-wheel drive (or a camel), and head into the wide blue yonder. Let the police know where to look in case of mishap, for the Outback is *unforgiving.*

The resources sector accounts for 49 per cent of Australia's exports, *against 39 per cent for* farming and only 12 per cent for manufacturing. As the Resources Minister said recently: "For all our aspirations to Swedish-style manufacturing sophistication, it is on our farms and quarries that (our economic future) is going to ride for a long time yet."

No-one disagreed, which is ominous.

L

LANGUAGE. Australian-English is vigorous, pithy, and coloured like the rainbow. You can't swear too often, particularly *about* those bludgers in the Northern Hemisphere. If you want to know what mossies, *Furphies, cooee,* dillybag, humpy, brumby, do a perish, gutzer, raw prawn, scranny-throwing, trak, walloper, tall poppies, back o'Bourke, scrubbers, bushwacker, bush Baptist, *bush* oysters, bee stings, or quandong can possibly signify, get *The Australian Slanguage* (Bill Hornadge, Cassell).

M

MONEY. The currency is decimal*ised, with* notes *for* A$2, A$5, A$10, A$20, A$50, and A$100. The money market has been greatly *liberalised.* Spend your own money on opals, sapphires, woollens, opera tickets, trips into the Outback, bark paintings, anything by Sir Sidney Nolan, boomerangs, and *Poems of Banjo Patterson* (illustrated by Pro Hart, Lansdowne Press). Go racing but bet small (particularly at bush meetings or anywhere in Queensland).

N

NATIONAL GALLERY, CANBERRA. Along with its companion building, the Australian High Court, the Gallery fits excellently into the scheme of what is becoming a distinguished capital city. The building *is* as interesting as the art it houses. Enjoy the Ned Kelly series (Sidney Nolan) and watch for Eugen von Guérard's Ferntree Gully in the Dandenong Ranges, a far better picture than some admit. There are excellent galleries in Sydney and Melbourne. Check the contemporary art scene: there is a great deal of talent at work.

O

OPALS. Australia is the world's largest producer. Some like them, some don't, but black opals from Lightning Ridge, in northern New South Wales, are considered the world's finest. (If you drive to Lightning Ridge, go via Warrumbungle National Park, which has Siding Spring Observatory.)

P

PEOPLE. Australia's population in 1983 was 15.5m. By 2001 it will be an estimated 18.9m to 20.6m; by 2021, 22.1m to 26m. Australia is heavily urbanised, with 70 per cent living in cities. Sydney's population is 3.3m, Melbourne's 2.9m. In 1983, European-born settlers con*tributed* 43 per cent of the intake (UK and Ireland 25 per cent).

Other figures: Asia, 36 per cent, Oceania, 10 per cent, America, 6 per cent, Africa, 6 per cent. Australians are relaxed, hedonistic, and fairly cynical. Their *humour* is *magnificent. If they talk tough,* talk tough back, and sweat a bit: *it works every time.*

Q

QANTAS is the national state-owned airline. It runs a relaxed, efficient service with a very good safety record. The two main domestic airlines are TAA and Ansett, which offer good deals for visitors, as does East-West. Australians know all about flying. For internal flights, check-in procedures are relaxed and swift: 30 minutes before flight time is more than enough.

R

ROADS. Australia has more than 830,000 km of roads, plus 40,000 km of Government railways. The roads are mostly very good, but use new maps because second-class roads can suddenly become dust-tracks.

In the bush, watch for wildlife, and don't run it over. Australians are fast and thoughtless drivers, so beware. I can say that because I learned to drive here. I try to stop at red; but if anything vexes me I weave and shout abuse, and rev the Toyota. I blend in perfectly.

S

SPORT. In the run-up to last summer's Olympics, I penned some words about Australia's eclipse as an Olympic power. In the event (because of the Soviet boycott) Australia won 24 medals (four gold) and set 44 records (one world, two Olympic, 13 Commonwealth, and 28 Australian): its best-ever *Olympic performance* (apart from Melbourne in 1956). There was much singing and dancing, *because virtually all* Australians are heavily into sport.

At a barbecue recently, an *Australian levered himself* down and said: "Well, Tommo, what's Britain done this week?" I was about to say we'd re-split the atom when it occured to me that he was fishing for explanation of some footling reversal on the sports field. I told him that the Poms could beat the Aussies with both arms tied, and that Aussie bowlers were poofters. It's the only way to do it.

T

TASMANIA. The smallest of the *states, Tasmania is* sometimes left off maps, so it is worth saying that it merits a visit. *The British annexed* it in 1802 and established a penal settlement at Hobart. It has *mountainous central highlands,* a rugged western coast, and the famed Gordon River/South-West Wilderness, *now* saved from hydro-vandalism by Prof David Bellamy and *his* co-*campaigners.*

If you're very, very lucky, you might see *Thylacinus cynocephalus,* the Tasmanian tiger, a large marsupial carnivore. It is usually described *as extinct;* but this seems unlikely. (Some zoologists believe it still roams the mainland.) Photograph it, and you'll retire on the proceeds.

U

ULURU NATIONAL PARK, *Northern Territory,* covers the area around Ayers Rock, 478 km south-west of Alice Springs, and the *Olgas, a group of rock* domes 32 km west of Ayers Rock. This is part of the area of the Pitjantjatjara and Yankuntjatpara tribes. Kakadu National Park, also in the Northern *Territory, is* far larger, and sweepingly dramatic.

There are excellent national parks almost everywhere. South of Canberra, visit Kosciusko National Park (stay at Thredbo, not Jindabyne) and climb to the peak of Mt Kosciusko, Australia's highest point. From Sydney, visit Ku-ring-gai and the Royal National Parks.

V

VINTAGES. Australia produces excellent wines, as well as honest plonk. Len Evans, an Australian wine and food authority, speaks highly of Hunter Valley whites of '74, '79, '83, and reds of '79, '81, '83; Coonawarra reds of '76, '78, '80, '84; Clare Valley whites of '80, '84, and reds of '78, '82, and so on, but get a full guide.

W

WAR *MEMORIAL,* CANBERRA. It attracts 1.3m visitors a year, and is well worth a visit, *commemorating* Australia's dead (102.000) in wars and operations from the Sudan (1885) to Vietnam. The museum and art gallery contains 40,000 war relics, 12,000 works of art, and the largest single collection of Victoria Crosses (33).

X

XENIAL (a., hospitable). Australians are nothing if not *xenial, so join the barbie.*

Y

YACHTS. When Alan Bond, now a beer baron, won the America's Cup in 1983, Australia went delirious. The next elimination series will be late next year, with the defence in early '87, off Fremantle, near Perth. It promises to be Australia's biggest party.

Z

ZOOS. There is a good one in Sydney (Taronga Park) and others in Melbourne, Adelaide and Perth, as well as the Western Plains Zoo at Dubbo, NSW. The best way to see Australian fauna in a painterly setting is to visit the reserve at Tidbindilla, south of Canberra.

Numerous Australian species are under pressure. American Express is running a A$200,000 programme to help the koala, while the World Wildlife Fund, *which says the hairy-nosed* wombat is one of the most endangered mammals in the world, *has adopted 88 projects.* You can become a life member for A$1,000.

Key questions

CONTINUED FROM PAGE 1

Howard, who is galvanising political debate in Australia by preaching neo-Thatcherite views. Mr Howard was Treasurer in the Fraser Government.

Only hours after displacing Mr Andrew Peacock as Liberal leader, Mr Howard was remodelling the political framework by emphasising deregulation of the labour market as the "greatest economic challenge we have over the next five or ten years." He will also press for privatisation of Government enterprises, tax reform, and restoration of good links with rural Australia.

Mr Howard has promised that a new conservative Government would scrap the Arbitration Commission and replace it with a new industrial tribunal that would be responsible for fixing minimum wages and conditions, as well as "prevention and settlement of industrial disputes." The growth of collective bargaining at plant and company level would be encouraged.

Mr Hawke was not impressed, declaring: "John Howard, as Treasurer, had the opportunity of implementing the economic policies which he believed Liberalism was all about. That produced the worst recession for 50 years. It produced a country deeply divided within itself."

Can Australia reverse the economic decline of recent *years, or* lessen its dependence on bulk commodity exports, valuable though they are, especially when energy prices lurch higher? Can it push itself on to the "new growth path" envisaged by Mr Keating?

A fruitful field for study by visiting academics in the approach to 1988 will be the calibre of Australia's leaders, particularly in business. Mr *Barry Jones, Australia's* Science Minister, has claimed that Australia has produced a *"non-reading managerial class."* One professor suggested that "it is not risk aversion in general but a specific aversion to the risks associated with technology development which characterises the attitudes of Australian managers."

Australia's managerial ethos has been likened to that of the public service, where avoiding mistakes is the first rule of action. A University of Minne*sota* study *suggested* that Australian managers placed a low value on achievement, success, competition, risk. A different study found the reverse: that there might be more professionalism in the planning of many Australian companies than among their U.S. counterparts.

An undoubted disincentive to encouraging managerial initiative — or technology develop*ment — is the high level of* foreign ownership of Australian firms, though Australian *entrepreneurs are increasingly* venturing forth to buy foreign assets, turnover, know-how, *rather than be bought.*

Hugh Stretton, an Adelaide historian, has summed things well: "Conservatives" (in Australia), he says, "have a securely capitalist country in which the rich do very well. The workers have strong union organisation, effective industrial arbitration and wage-fixing, a short work week, cars and homes and *gardens and power mowers and* barbecues.... Perhaps government has been dulled by success. The interesting, innovative work of developing the institutions of civilised society has given way, for the very best of reasons, to the boring care and maintenance of perfected machinery."

If that is true, Australia is *definitely* different.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday September 25 1985

Apple charges denied by former chairman

BY LOUISE KEHOE IN SAN FRANCISCO

MR STEVE JOBS, co-founder and former chairman of Apple Computer, yesterday denied charges that he attempted to "steal" proprietary information and key employees from the company.

Responding to a suit filed against him by Apple Computer, Mr Jobs said that he had "no intention of taking or using any Apple confidential information or proprietary technology to his new company."

Apple Computer is charging that its former chairman misappropriated confidential information, lured away key Apple employees, violated his employment contract and breached his fiduciary responsibilities as chairman of the company.

The suit follows Mr Jobs' resignation last week and his announcement of plans to form another computer company. Mr Jobs hired five Apple employees to join him in the venture.

Apple's suit claims that Mr Jobs' new company will compete with Apple and calls Mr Jobs' conduct "wanton, wilful, malicious and outrageous."

"This sort of thing sure as hell doesn't help Apple or its employees. We don't want to get involved in an unjustified lawsuit. We just want to build our company and invent something new," Mr Jobs said.

Mr Jobs has so far declined to provide details of his planned venture. He is, however, understood to be planning the development of a high-performance personal computer for university and college users. Apple Computer has undertaken a major marketing effort to sell its Macintosh computer to U.S. universities.

The Apple lawsuit also names Mr Richard A. Page, who formerly held the title of "Apple Fellow." He is one of five senior Apple employees hired by Mr Jobs for the new company. Mr Page was responsible for designing Apple's next generation personal computer.

Apple alleged that Mr Jobs "secretly made plans for the new company while serving as Apple's chairman, that he falsely represented his company and intentions to the board of Apple computer, and that his company planned to compete with Apple."

Apple is seeking unspecified monetary damages as well as prohibiting Mr Jobs from using any of Apple's confidential information and from inducing other Apple employees to join him in his venture.

Montedison fibres unit set for healthy profit this year

BY ALAN FRIEDMAN IN MILAN

MONTEFIBRE, Italy's largest producer of man-made fibres and a subsidiary of the Montedison group, said it expected to make a "considerably positive" net profit this year, having emerged last year from a decade of losses.

The Milan-based company, which has undergone radical restructuring in recent years, recorded a 16 per cent rise in revenues during the first half of this year, to L531bn ($290m).

First-half earnings were not disclosed, but Montefibre said it was in the black.

Last year Montefibre achieved a L10bn net profit on sales of L865bn. This followed a lengthy rationalisation which saw the number of employees drop from 27,000 in 1977 to around 5,000 at present.

The company, which is planning to seek a listing on the Milan bourse in the next year, has in recent years closed four of its eight plants and has pulled out of the production of nylon, concentrating instead on acrylic and polyester filaments and staples.

Some 61 per cent of Montefibre turnover in the first half of the year came from outside Italy. This compares with 55 per cent in the equivalent period of 1984. Investments in the first half of 1985 were doubled year on year to L22bn.

Meanwhile, a Montedison spokesman yesterday declined to confirm or deny that the Italian chemicals group was in talks with the state-owned Enichimica regarding the sale of several major chemicals plants. It is believed, however, that such a deal is under discussion and could be related to plans for a new international venture which Montedison is considering in the chemicals sector.

● Meta, the diversified Montedison subsidiary which controls the Standa retail chain as well as 23.1 per cent of the Rizzoli publishing group and the Tecnimont engineering business, said it achieved first-half revenues of L1,086bn.

Meta, the Montedison vehicle used in the recent takeover of the BI-Invest financial and property group, last year made a L39.8bn net profit on turnover of L2,321bn.

Bull and Jeumont Schneider sign accord

By David Marsh in Paris

JEUMONT-SCHNEIDER, the private-sector French telecommunications group, is linking up with the nationalised computer concern Bull to form a joint research company for production of business communication systems.

The company will be owned 51 per cent by Jeumont-Schneider. The move represents the latest step between groups in the computer and telecommunications fields towards marrying technologies from the two sectors.

Bull in the past has been cautious about formal alliances with telecommunications companies. However, it has already signed a number of agreements – including with Jeumont-Schneider and with the Telic-Alcatel group – to make its computers compatible with private branch telephone exchanges (PABXs).

The research company will aim to come up with common specifications for a new line of office automation products allowing sophisticated flows of data via telephone terminals. Jeumont-Schneider, part of the Empain Schneider conglomerate, has a range of activities in electronics, electrical engineering and transport. It has a stake of about 35 per cent in the French markets for PABXs, compared with 40 per cent for the Alcatel-Thomson group.

Bull has already linked up with Jeumont-Schneider in the mainstream computer field. Under an agreement earlier this year the group's Jistral subsidiary is helping to distribute Bull's new Micral 30 micro-computer, which is being offered as a work station in data processing networks.

EUROBONDS

Weak dollar galvanises Australian sector

BY MAGGIE URRY IN LONDON

WHILE the Eurodollar bond market was weakening further yesterday, the Australian dollar sector was alive with new issues. The declining dollar exchange rate is continuing to divert investors' interest to non-U.S. dollar issues.

Only one fixed-rate dollar issue was launched, a $100m six-year deal for CEPME, the French-guaranteed small business finance body. That suffered in the market's fall and dealers said the terms, at a 10⅜ per cent coupon and par issue price, were tight. The bonds traded ½ point outside the 1⅞ per cent fees at one time. Lead manager is Citicorp.

The BECS issue, the repackaged tranche of the UK floater, slipped back to trade at around a 1.20 discount to the 100¼ issue price while the floater itself rose above 99.90 at its high, closing just under that level.

Mitsubishi Finance led a $150m floater for Banca Nazionale dell' Agricoltura with a seven-year maturity paying 1/16 per cent over six-month London interbank offered rate (Libor). Fees total 18 basis points, and the bonds were trading within that discount bid at 99.85. Traders regarded the terms as fine.

Four issues were launched denominated in Australian dollars, and syndicate managers expect the flood to continue this week. Borrowers can swap the proceeds into floating rate U.S. dollars at rates well below Libor. There could soon be too much paper around for the selective demand to pick up, and one banker was warning of a "bloodbath" by the end of the week.

BHF Bank bond average		
Sept 24 105.346		Previous 105.314
High 105.417	1985	Low 99.840

Investors in this sector are mostly German-based and prefer names they know well. Bayerische Vereinsbank's deal got off to a good start trading well inside its 1⅞ per cent selling concession. This is a A$50m five-year issue paying a 13 per cent coupon and priced at 100½.

A two-tranche deal totalling A$50m was launched for Amev, the Dutch insurance company, by Pierson Heldring and Pierson. This has a 13⅝ per cent coupon and par issue price on the four and five-year tranches. Fees are 1¾ per cent on the shorter and 2 per cent on the longer. Dealers were more sceptical about this issue's chance of attracting investors.

Late in the day, issues for Norddeutsche Landesbank and Landesbank Schleswig-Holstein appeared. The former, led by Orion Royal Bank, is for A$50m with a seven-year life and a 13¼ per cent coupon at 100½. The latter has a five-year maturity with a 13 per cent coupon and 100½ issue price.

The expected issue for the World Bank was launched in the Ecu market by Credit Suisse First Boston. It is the largest deal yet seen in the sector at Ecu 250m and comes with a Ecu 100m tap. The 10-year non-callable bonds pay an 8½ per cent coupon and are priced at 99¾.

The sector has had a boost from the weak dollar, and the paper was moving within the 1⅞ per cent fees, despite some retail investors' declared preference for higher yields.

McDonald's the U.S. hamburger group, launched a yen dual currency issue which may have been fixed before the weekend meeting of finance ministers. The weak dollar does not help dual currency deals. This, for Y20bn, will be repaid at an exchange rate of Y209 to the dollar in 1995. Meanwhile the coupon is 8 per cent, higher than investors can get on yen issues, but issue price is 101¾. Daiwa Europe is lead manager.

China International Trust and Investment Corporation (CITIC) launched its first, and China's second, D-Mark deal yesterday. The DM 150m issue, led by Deutsche Bank, has a six-year life and pays a 6⅝ per cent coupon. Issued at 99½ the bonds were trading around the 1⅝ per cent selling concession.

Korea Exchange Bank launched a DM 100m five-year deal with a 7½ per cent coupon and par issue price, led by Commerzbank. This was trading around 98½ compared with the 2 per cent fees.

Secondary market prices were steady in the D-Mark sector yesterday with turnover at a low level.

The declining dollar has had little effect so far on the Swiss franc foreign bond market.

Crédit Suisse launched a SwFr 150m public issue for Pacific Gas and Electric, thought to be attached to a swap. This has a 10-year life, and terms were fixed at a 5¼ per cent coupon and par issue price. Dealers felt the conditions were acceptable after recent 15-year deals paying 5⅝ per cent.

Orion Royal launches UK equity brokerage

BY DAVID LASCELLES IN LONDON

ORION Royal Bank, the London merchant banking subsidiary of the Royal Bank of Canada, is launching an equity brokerage venture to serve the international investment market.

Orion Royal Bank Equities of Canada will operate as a broker and adviser on Canadian equities to institutional investors outside Canada. It will also distribute new Canadian equities on the international market.

The venture is believed to be the first of its kind by one of the Canadian banks, which are not allowed to engage in full-scale brokerage on their home market. However, because of Canadian banking regulations, it will be able to deal only with non-residents.

The company is being set up by three brokers from the London office of Richardson Greenshields, a Canadian broking firm. Mr Maynard Marceau, president, said he and his two colleagues wanted to establish their own equity business. They approached Orion Royal because its chairman, Mr John Abell, was formerly in the London office of Wood Gundy, the large Canadian broker.

Mr Marceau believed that the international equity market would be a major growth area. He cited recent equity issues by leading Canadian companies such as Bell Canada, Alcan and Toronto Dominion Bank which had "international tranches" for distribution abroad.

The operation would also provide valuable experience for the Royal Bank, Canada's largest, in anticipation of the day when domestic regulations are likely to be eased to permit banks to enter the broking business in Canada.

Toronto and Amex open electronic link

BY BERNARD SIMON IN TORONTO

THE Toronto and American stock exchanges have inaugurated the first cross-border electronic trading link between two major equity markets.

During a colourful and noisy ceremony on the floor of the Toronto exchange yesterday, officials of the two exchanges demonstrated the new system by executing a two-way trade in 1,000 shares of the Calgary-based company Husky Oil. The tie-up is initially confined to trading in six companies listed on both exchanges – Echo Bay Mines, Asamera, Canadian Marconi, Gulf Canada, Husky Oil and Imperial Oil.

A total of 36 companies is listed on both the TSE and the Amex, and the trading link is expected to be extended later.

The link provides a direct flow of orders between the two markets, allowing trades to be completed at the most competitive price. Trades can be executed in either U.S. or Canadian dollars.

Both the Amex and the TSE see the electronic link as an important step in maintaining their competitiveness with the New York Stock Exchange and with the expanding international electronic trading networks.

The main advantage for Toronto is increased liquidity, while the Amex hopes the link will encourage a larger number of Canadian listings.

U.S. exchanges, notably the NYSE, currently account for a substantial proportion of trading volumes in shares of Canadian companies. The TSE plans a similar tie-up with the Mid-West Stock Exchange in Chicago.

Minorco has heavy cut in year's result

By Kenneth Marston in London

SHARPLY reduced earnings for the year to June 30 have been announced by Minerals and Resources Corporation (Minorco), the big Bermuda-registered international investment arm of South Africa's Anglo-American De Beers group. The dividend total, however, is maintained at 22 cents with a final of 16 cents.

Announcing its interim results, Minorco forecast a "substantial" reduction in net earnings for the full year. Subsequently it announced a $402m sale of 10m shares in Phibro-Salomon which, it was stated, would result in the year's net earnings ending broadly in line with those of 1983-84.

In the event, however, the past year's net earnings after extraordinary items have dropped to $104.6m, or 61 cents a share.

The reason is a $154m write-down of the investment in the Inspiration Resources mining arm plus Minorco's share of the extraordinary losses of companies in which Inspiration Resources has interests.

These debits have outweighed the gain of $235m realised on the Phibro-Salomon sale to leave a net extraordinary loss for the past year of $5.4m. It compares with an extraordinary gain in the previous financial year of $87.7m.

The past year's earnings before extraordinary items amount to $110.1m against $129.5m.

● Alcan Aluminium has stopped all preliminary work on its C$1bn (U.S.$735m) Laterriere aluminium smelter north of Quebec city because of prevailing low prices for primary metals.

Beatrice sees earnings tumble as expected

By Terry Byland in New York

EARNINGS continued to fall in the second quarter at Beatrice Companies, the U.S. food group which replaced its chairman last month as it struggled with an expensive shift in marketing and managerial strategies.

There was also a sharp downward move in sales trends. Sales slipped from $3.2bn to $3.1bn in the second quarter after rising by 39 per cent in the first three months.

Special factors affected the comparative profit totals, but the result is in line with expectations. Net earnings dipped by 31 per cent to $70m, or 66 cents a share, although last year's total included $40m from special factors.

At six months, Beatrice has earned $128m, or $1.25, against $173m, or $1.82, on sales 13 per cent ahead at $6.2bn. For the whole fiscal year to February 1985, Beatrice turned in net earnings of $479m, or $5.06 a share. The new chairman, Mr William Granger, has already said he expects little earnings improvement before the next fiscal year, ending February 1987.

● Pillsbury, the fast-food and restaurants group, pushed net earnings ahead from $38.9m, or 90 cents a share, to $42.7m, or 98 cents, in the first quarter, on sales of $1.23bn against $1.02bn.

The results from newly-acquired Diversifoods had little effect at net level

Litton warns on effect of oil market softness

BY ANDREW BAXTER IN LONDON

SHARES of Litton Industries, the California-based technology group, fell $4⅞ to $73 by lunchtime yesterday after a forecast that earnings per share could be "flat to slightly higher" than in the year ended July.

Mr Orion Hoch, president and chief operating officer, told analysts in London yesterday that "current uncertainties in the petroleum market are more serious than had been anticipated. We expect that sales for our resource exploration group may be considerably affected this year although it will continue to maintain its good margins of profitability."

Litton, which has transformed itself from a traditional industrial conglomerate into an electronics, defence equipment and geophysical services group, recently reported net earnings for the year just ended of $299.5m, or $7.27 a share, on sales of $4.59bn.

Mr Hoch said that, despite the current softness in the oil industry, Litton's programme of acquisitions and technological investments in the geophysical analysis and services business over the past two years had broadened and strengthened the company's capability for the longer term.

Pechiney beats low aluminium market prices

By Paul Betts in Paris

PECHINEY, the nationalised French aluminium group, yesterday reported higher first-half earnings of FFr 451m ($54m) compared with FFr 307m in the comparable period last year, despite a more unfavourable international environment for aluminium.

Sales rose to FFr 19.2bn in the first half from FFr 18.3bn the year before. However, cash flow declined to FFr 1.55bn in the first six months from FFr 1.8bn the year before.

With the exception of its copper fabrication operations, all the group's divisions were profitable in the first half. Copper fabrication, which accounts for 9 per cent of the total group sales, is currently undergoing restructuring in an effort to cut losses.

Pechiney said yesterday that, despite the fall in prices, its aluminium division, which accounts for 53 per cent of sales, was operating profitably in the first half, although earnings were lower than the year before.

The group expects to continue operating profitably in the second half and said earnings for the full year would be higher than in 1984, when the group reported a surplus of FFr 546m after a loss of FFr 463m the year before.

BHF Bank hints at higher dividend

By Jonathan Carr in Frankfurt

BERLINER Handels und Frankfurter Bank (BHF), the West German merchant and commercial bank, has sharply raised profits so far this year – thanks not least to much stronger earnings from own-account trading in securities and foreign exchange.

The bank hinted that, as a result, the dividend might be raised above the payout of DM 10.50 a share made for the 1984 year. Other German banks are expected to make similarly buoyant profits and dividend statements shortly.

BHF Bank said that in the first eight months this year partial operating profit (excluding own-account trading) rose by 10 per cent to DM 90.3m ($33m). It noted that the interest margin (the difference between interest paid and earned) had recovered since the start of the year and was now again over 2 per cent.

The rate of increase in full operating profit was greater than that of the partial profit figure, the bank said, without giving details. BHF Bank said it would make some risk provision in its 1985 results for credit to South Africa (which totals DM 45m in the BHF group) but that this did not alter its confident profit expectation.

S-E Banken expects downturn

BY KEVIN DONE IN STOCKHOLM

SKANDINAVISKA Enskilda Banken, Sweden's leading commercial bank, held operating profits unchanged in the first eight months of the year.

The bank warned yesterday that profits for the full year would be lower than in 1984, however, unless the Riksbank, the Swedish central bank, eased its tough monetary policy.

Swedish interest rates were pushed close to record levels in May as the central bank tried to smooth over a crisis of confidence in the Swedish krona. Despite some easing in July, the persistently high interest rates, among the highest in Europe, meant a reduction in profits of close to SKr 30m ($3.7m) a month compared with the early months of the year, S-E Banken said yesterday.

"With unchanged interest rates the S-E Banken group's operating profit in 1985 will be lower than in 1984, despite a continued good development in the subsidiaries," the bank said in its eight-month interim report.

The bank's Swedish subsidiaries increased their earnings by 20 per cent in the first eight months of the year while the foreign subsidiaries more than doubled their profits.

Overall, however, the S-E Banken group reported unchanged operating results of SKr 1.414bn. The operating profit of the parent bank dropped by 14 per cent to SKr 1.019bn from SKr 1.187bn a year earlier.

Interest costs have increased far more quickly than interest earnings. The Riksbank's so-called penalty rate, the official interest rate that strongly influences the money market, was 2.39 percentage points higher in the first eight months of 1985 than in the same period last year.

Increases in the penalty rate would have brought interest earnings down by some SKr 500m, but this was kept at over SKr 300m through a modest 6 per cent increase in the volume of lending as well as other measures.

The big drop in interest earnings was further mitigated by reduced loan losses and less need to make provisions for foreign credit risks.

As part of the co-operation within Scandinavian Banking Partners, Bergen Bank of Norway has taken a 20 per cent holding in Deutsche Skandinavische Bank, S-E Banken's West Germany subsidiary in Frankfurt.

NOTICE OF REDEMPTION

To the Holders of

General Mills, Inc.

U.S. $100,000,000 12% Notes, Series A, due December 19, 1991

NOTICE IS HEREBY GIVEN to the holders of the outstanding 12% Notes, Series A, due December 19, 1991 (the "Notes") of General Mills, Inc. (the "Company") that, pursuant to the provisions of Section 7(a) of the Series A Fiscal and Paying Agency Agreement dated as of December 19, 1984 between the Company and Morgan Guaranty Trust Company of New York (the "Fiscal Agent") and Paragraph 4(a) of the Terms and Conditions of the Notes, the Company has elected to redeem on October 25, 1985 U.S. $8,215,000 principal amount of the Notes (the "Redemption Notes") at a redemption price equal to 101% of the principal amount thereof, together with accrued interest to said date, in the amount of U.S. $510.00 for each U.S. $5,000 principal amount and U.S. $1,020.00 for each U.S. $10,000 principal amount as follows:

OUTSTANDING NOTES OF $5,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

2	451	999	1433	1844	2375	2836	3298	3879	4506	5067	5564	6093	6579	7159	7687
25	460	1010	1457	1862	2380	2838	3310	3880	4508	5100	5600	6096	6583	7161	7688
42	518	1017	1458	1864	2394	2844	3332	3881	4524	5122	5607	6106	6598	7168	7689
56	520	1022	1466	1893	2406	2846	3350	3905	4532	5140	5615	6118	6607	7176	7690
67	527	1032	1479	1901	2407	2863	3367	3960	4548	5167	5640	6137	6619	7189	7731
88	535	1038	1498	1915	2418	2864	3370	3976	4602	5168	5649	6148	6626	7199	7748
107	539	1069	1501	1947	2429	2881	3372	3997	4613	5171	5663	6157	6653	7208	7755
108	545	1073	1524	1955	2435	2883	3379	4006	4626	5192	5670	6163	6670	7215	7766
128	554	1075	1536	1975	2446	2884	3381	4013	4638	5200	5675	6183	6681	7223	7775
136	557	1077	1539	1976	2458	2885	3425	4020	4650	5215	5676	6188	6689	7255	7814
140	568	1081	1558	1978	2500	2894	3442	4057	4660	5233	5701	6189	6685	7291	7817
149	588	1097	1563	2014	2526	2904	3453	4069	4679	5244	5718	6215	6707	7306	7820
175	607	1098	1570	2019	2544	2947	3470	4073	4688	5253	5723	6219	6721	7310	7829
186	630	1105	1575	2034	2550	2950	3489	4101	4690	5256	5734	6236	6736	7320	7830
187	637	1116	1576	2055	2560	2952	3505	4118	4729	5257	5739	6240	6748	7357	7845
198	640	1131	1581	2061	2563	2953	3509	4133	4748	5264	5741	6256	6761	7359	7846
201	652	1152	1583	2068	2576	2961	3523	4136	4751	5275	5791	6262	6767	7374	7847
202	668	1153	1584	2069	2578	2967	3526	4142	4757	5293	5799	6268	6771	7376	7862
210	669	1199	1595	2072	2580	2970	3530	4145	4771	5300	5802	6289	6785	7382	7880
236	684	1204	1606	2077	2581	2982	3539	4152	4798	5321	5809	6291	6813	7391	7891
239	697	1224	1617	2087	2605	2987	3540	4156	4802	5324	5828	6292	6818	7415	7905
242	699	1242	1622	2125	2608	2988	3581	4161	4819	5328	5840	6326	6819	7426	7909
259	746	1249	1643	2135	2619	3021	3584	4169	4846	5333	5863	6327	6857	7437	7919
280	756	1257	1672	2137	2630	3037	3599	4186	4857	5347	5873	6330	6864	7447	7922
290	763	1258	1697	2141	2640	3051	3606	4216	4881	5384	5875	6340	6879	7462	7951
301	776	1292	1699	2145	2644	3063	3611	4229	4883	5389	5888	6365	6892	7473	7958
302	791	1314	1709	2174	2660	3066	3642	4232	4913	5399	5894	6382	6907	7482	7979
312	818	1332	1719	2182	2673	3080	3648	4241	4931	5416	5904	6396	6925	7485	
316	822	1333	1725	2202	2676	3094	3652	4270	4932	5419	5924	6406	6943	7492	
326	830	1337	1729	2212	2677	3123	3654	4279	4938	5426	5926	6426	6948	7512	
342	857	1338	1735	2222	2698	3138	3704	4285	4942	5428	5967	6433	6963	7527	
355	872	1350	1740	2245	2715	3147	3707	4294	4949	5437	5973	6442	6975	7530	
366	878	1351	1748	2252	2718	3164	3721	4303	4979	5445	5978	6461	6978	7533	
377	884	1364	1751	2259	2726	3181	3748	4320	4987	5448	5985	6495	6988	7545	
393	887	1369	1762	2269	2727	3210	3758	4341	4996	5462	5994	6499	7045	7567	
398	891	1377	1766	2273	2733	3212	3772	4346	5007	5477	5999	6504	7046	7576	
416	912	1400	1772	2288	2748	3224	3782	4363	5011	5496	6044	6507	7061	7597	
420	913	1407	1777	2296	2757	3230	3796	4367	5028	5511	6047	6509	7082	7629	
429	922	1419	1780	2347	2768	3234	3833	4377	5036	5521	6058	6518	7103	7630	
430	933	1424	1785	2350	2771	3248	3861	4409	5055	5522	6064	6537	7112	7648	
440	940	1427	1789	2358	2786	3264	3870	4423	5061	5539	6066	6542	7143	7653	
444	990	1431	1828	2359	2803	3297	3871	4484	5065	5556	6071	6572	7158	7667	

OUTSTANDING NOTES OF $10,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

6	411	725	1111	1461	1783	2173	2491	2822	3247	3660	4069	4479	4858	5288	5663
26	414	741	1135	1462	1786	2176	2493	2824	3256	3677	4072	4484	4859	5302	5670
40	421	768	1138	1486	1801	2192	2497	2836	3279	3695	4075	4509	4871	5312	5680
54	434	785	1165	1489	1822	2195	2513	2838	3308	3723	4107	4510	4891	5321	5687
69	436	797	1179	1510	1829	2218	2525	2841	3315	3730	4114	4513	4896	5335	5693
70	445	798	1194	1514	1831	2220	2538	2860	3340	3732	4122	4527	4897	5346	5715
71	447	810	1197	1523	1839	2237	2540	2878	3353	3753	4129	4530	4909	5372	5718
73	454	850	1203	1533	1843	2249	2557	2890	3361	3757	4159	4535	4913	5398	5724
74	456	866	1205	1587	1864	2254	2561	2920	3362	3762	4167	4561	4938	5402	5725
84	482	871	1222	1599	1890	2259	2568	2931	3366	3788	4204	4565	4958	5407	5734
111	495	878	1226	1601	1900	2292	2575	2933	3398	3789	4207	4574	4969	5414	5768
145	534	891	1259	1602	1904	2302	2585	2949	3416	3801	4231	4576	4993	5430	5778
146	536	895	1266	1607	1909	2306	2587	2953	3435	3818	4255	4603	4994	5432	5792
147	544	908	1272	1620	1922	2312	2595	2983	3456	3833	4264	4610	5014	5437	5796
148	562	917	1300	1622	1945	2321	2597	3000	3468	3846	4276	4618	5023	5452	5850
152	568	923	1302	1623	1948	2330	2610	3018	3474	3851	4283	4627	5026	5481	5858
166	571	945	1304	1624	1960	2335	2627	3026	3496	3856	4287	4642	5029	5501	5874
190	589	947	1306	1640	1967	2341	2631	3032	3526	3863	4291	4661	5036	5512	5888
203	615	958	1339	1645	1998	2348	2632	3057	3538	3881	4310	4663	5057	5515	5901
207	631	966	1340	1650	2002	2351	2658	3075	3546	3919	4322	4711	5091	5524	5902
223	632	982	1341	1651	2022	2366	2691	3084	3551	3921	4330	4717	5111	5543	5915
226	638	1036	1348	1665	2023	2372	2695	3117	3567	3925	4351	4721	5138	5574	5927
230	640	1039	1351	1688	2031	2376	2709	3121	3580	3954	4353	4722	5143	5579	5931
258	660	1042	1355	1689	2043	2393	2713	3130	3583	3958	4377	4733	5158	5590	5936
271	661	1052	1365	1705	2044	2397	2714	3142	3594	3967	4398	4734	5195	5591	5941
294	668	1054	1380	1722	2047	2420	2716	3172	3602	3968	4420	4756	5208	5595	5944
320	669	1064	1385	1747	2061	2432	2738	3180	3606	3972	4433	4759	5242	5596	5966
344	684	1073	1398	1757	2067	2438	2743	3193	3618	3987	4440	4792	5247	5632	5979
349	697	1082	1411	1768	2084	2474	2757	3204	3635	3996	4462	4797	5252	5635	
360	721	1092	1418	1779	2115	2479	2772	3218	3654	4012	4469	4814	5291	5638	
363	723	1104	1449	1782	2125	2483	2784	3239	3655	4020	4471	4823	5297	5647	

Payment will be made, subject to applicable laws and regulations, in U.S. dollars on and after October 25, 1985 upon presentation and surrender of the Redemption Notes with coupons due December 19, 1985 and subsequent coupons attached, failing which, the amount of missing unmatured interest coupons will be deducted from the sum due for payment and paid in the manner set forth in the Terms and Conditions of the Notes against surrender of the related missing interest coupons within the period of time prescribed by the applicable statute of limitations, at the main offices of the Fiscal Agent in London, Brussels, Frankfurt am Main, Paris and Tokyo, the main office of Amsterdam-Rotterdam Bank N.V. in Amsterdam, the main office of Swiss Bank Corporation in Basle and the main office of Kredietbank S.A. Luxembourgeoise, in Luxembourg. Payments at said offices will be made by a United States dollar check drawn on a bank located in The City of New York, or by transfer to a dollar account maintained by the payee with a bank in London. No payment on any Bearer Note will be made at the Corporate Trust Office of the Fiscal Agent or any other Paying Agency maintained by the Company in the United States nor, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail to an address in, the United States.

From and after October 25, 1985, the Redemption Notes will no longer be outstanding and interest thereon shall cease to accrue. U.S. $59,475,000 principal amount of Notes will remain outstanding after the redemption.

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

Any payments made to an address in the United States, directly or by electronic transfer, may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide a Paying Agent with an executed IRS Form W-8 in the case of non-U.S. persons or an executed IRS Form W-9 in the case of U.S. persons.

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide to a Paying Agent listed above, and certify under penalties of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate), or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50 imposed by the IRS. Please therefore provide the appropriate certification when presenting your securities for payment.

GENERAL MILLS, INC.

DATED: September 25, 1985

INTERNATIONAL COMPANIES and FINANCE

Hanson ready to better SCM offer

BY WILLIAM HALL IN NEW YORK

HANSON TRUST of the UK says it is willing to top the $74 a share management buyout offer for SCM if the New York-based conglomerate agrees to drop its controversial "lock-up" agreements with Merrill Lynch, which has agreed to finance the management buyout.

Hanson Trust's willingness to increase its offer was revealed in a Schedule 13D filing with the U.S. Securities and Exchange Commission (SEC) and is the latest twist in the month-long battle for control of SCM.

Hanson also disclosed that SCM had offered to buy back the 27.5 per cent stake it already holds at a premium. Hanson told SCM it was not interested in selling its stake and was "prepared to make a business combination proposal to acquire all outstanding shares at prices in excess of $74 a share in cash if the 'lock-up' option agreement were terminated."

Hanson's SEC filing says the purpose of its acquisition of 3.1m SCM shares – the subject of lengthy legal arguments by both sides – was to enable it to become a substantial shareholder in the company. The stake would enable Hanson to make it difficult or impossible for the management buyout to proceed.

A key issue in the battle for control of SCM is whether Hanson's acquisition of a 25 per cent stake in the company in the space of 90 minutes on September 11 constituted an illegal tender offer. According to the SEC, a "substantial question exists" whether Hanson's share purchase violates SEC tender offer rules.

Yesterday a federal appeals court in New York withheld any decision to lift an injunction barring Hanson Trust from making further purchases of SCM shares. Hanson has argued in its court papers that SCM has done everything possible to frustrate its bid.

Troubled Iberia expects sharp cut in losses

By David White in Madrid

IBERIA, Spain's national airline, is expecting a further sharp reduction in its losses this year, despite a continuing deterioration in its public image.

Sr Narcis Andreu, appointed as chairman in March to give the state-owned airline a facelift, said losses for the current financial year ending on October 31 were expected to be 40 per cent down on the previous year's Pta 17bn ($103m) deficit.

This would be the second reduction of this magnitude since the Government launched a three-year programme to re-capitalise the company, involving an injection of Pta 90bn. In 1982–83, Iberia's losses had soared to almost Pta 30bn, three times the forecast level.

Since then, the airline has suffered two major crashes in Spain, a five-week pilots' strike, low morale among employees and a barrage of criticism over its service.

Sr Andreu has put off until next year a decision on aircraft purchases to replace the 25 McDonnell-Douglas DC-9s in Iberia's fleet. Airbus, McDonnell-Douglas, Boeing, British Aerospace and Fokker are all competing for the contract, which will be followed up by another to replace Iberia's 36 Boeing 727s in about five years' time.

EMS-Chemie to seek Zurich listing

By John Wicks in Zurich

EMS-CHEMIE Holdings, the parent company of the Swiss chemicals and chemical-engineering group Ems-Chemie, is to list its bearer shares on the Zurich Stock Exchange. Up until now Ems shares have been traded over the counter.

In another development, a proposal will be made at the October 9 shareholders' meeting to approve the issue of participation certificates up to half the value of share capital. The board will ask for permission to issue a first tranche of these non-voting shares with a nominal value of up to SwFr 10m ($4.5m).

The meeting will also be asked to agree to the issue, without drawing rights, of 14,000 new bearer shares of SwFr 500 nominal value at par, thus raising share capital from SwFr 70m to SwFr 77m. These shares will be reserved for conversion rights of a SwFr 28m warrant-bond series to be issued later this year.

For the year ended April 30, the board proposes an increase in dividend from 5 to 7 per cent. This follows a rise in group earnings from SwFr 3.7m to SwFr 7m for the year after a jump in cash-flow from SwFr 30.8m to SwFr 73.2m and a 16 per cent improvement in consolidated sales to SwFr 391m.

Turnover is said to have shown a 15 per cent rise in the first quarter of the business year 1985-86

● Hasler Holding, the Berne-based parent company of the Swiss telecommunications group Hasler, has increased its dividend payment for the past business year to SwFr 55 a share compared with SwFr 52 for 1983-84.

In the 12-month period ended June 30, the company booked a rise in net earnings from SwFr 6.3m ($2.8m) to SwFr 6.65m. This followed an improvement in consolidated profits for calendar 1984 from SwFr 17m to SwFr 20m.

North American quarterly results

AM INTERNATIONAL
Office products

Fourth quarter	1984-85 $	1983-84 $
Revenue	157.9m	161.8m
Op. net profits	5.09m	4.14m
Op. net per share	0.12	0.10
Year		
Revenue	611.7m	598.5m
Op. net profits	10.9m	10.4m
Op. net per share	0.27	0.26

CONAGRA
Agricultural, food products

First quarter	1985-86 $	1984-85 $
Revenue	1.58bn	1.47bn
Net profits	22.5m	19.3m
Net per share	0.65	0.58

DAON DEVELOPMENT
Property

Nine months	1984-85 C$	1983-84 C$
Revenue	316.9m	779.5m
Net profits	17.9m	49m
Net per Share	0.21	0.86

EX-CELL-O
Industrial & auto eqpt.

Third quarter	1985 $	1984 $
Revenue	273.9m	280.7m
Net profits	14.7m	12.9m
Net per share	1.03	0.92
Nine months		
Revenue	817.2m	836.2m
Net profits	37.1m	38.7m
Net per share	2.61	2.73

FEDERAL EXPRESS
Freight services

First quarter	1985-86 $	1984-85 $
Revenue	589.3m	439.1m
Net profits	31.6m	8.9m
Net per share	0.65	0.18

GENCORP
Tyres

Third quarter	1985 $	1984 $
Revenue	752.3m	729.1m
Op. net profits	24.9m	11.2m
Op. net per share	1.13	0.51
Nine months		
Revenue	2.14bn	2.02bn
Op. net profits	67.9m	41.2m
Op. net per share	3.09	1.88

HAMMERMILL PAPER
Paper and products

Third quarter	1985 $	1984 $
Revenue	417m	417.9m
Net profits	5.6m	7.6m
Net per share	0.32	0.47
Nine months		
Revenue	1.28bn	1.30bn
Net profits	24.4m	39.7m
Net per share	1.53	2.70

JACK ECKERD
Drugstores

Fourth quarter	1984-85 $	1983-84 $
Revenue	628.7m	558.2m
Op. net loss	4.4m	18m
Op. net per share	0.11	0.48
Year		
Revenue	2.51bn	2.21bn
Op. net profits	58.4m	83.7m
Op. net per share	1.55	2.23

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 24.

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†*101½	102	−0¼	+0⅞	5.90
Avon Cap Corp 5⅝ 94	130	†100	100¼	0	+0⅛	5.55
Brit land Comp 6½ 99	75	†*104	104¼	+0⅝	−0⅛	6.05
Council of Europe 6 92	120	†102¼	102½	−0½	−1⅜	5.56
Creditanstalt 5½ 94	100	†99¼	99½	0	−0⅛	5.58
Deutsche Bk Fin 5⅜ 95	100	†101½	101¾	0	+0¼	5.15
E.I.B. 5⅞ 94	120	†102	102¼	−0¾	−0⅝	5.57
Gen Occidentale 4½ 94	80	†102½	102¾	−1	−0⅞	4.15
Glendale Fed.S&L 5½ 95	100	†98	98¼	−0¼	0	5.75
I C Industries 5⅝ 94	125	†102½	102¾	0	−0⅝	5.25
Ind Fund Fin 5¾ 94	40	†101½	101¾	−0¼	−0⅝	5.52
Int−Am Dev Bk 6⅛ 94	120	†*103½	104	0	+0½	5.59
N.Zealand steel 5¼ 98	70	†*99¼	99½	−0⅝	+0⅝	5.82
Oberos Kthwk 5⅜ 95	100	†99¼	99½	−0¼	0	5.46
Ralston Purina 5⅝ 94	125	†101¼	101½	+0¼	+0⅛	5.16
Santos Finance Ltd 6 94	130	†100	100¼	+0¼	+0¼	5.98
Tokyo Elec Pwr 5½ 93	120	†100¾	101	+0¼	−0¾	5.35
Tokyo Metropolis 5¼ 94	80	†99½	99¾	+0¼	−0⅛	5.30
World Bk 5¾ 94	150	†101	101¼	−0⅝	−0½	5.58

Average price change On day −0⅛ on week −0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	101½	102	−0⅛	+0½	6.29
Gdyr Tr & Rubber 7⅛ 95	25	101⅛	101⅝	+0¼	+0¾	6.92
Mort Bk Denmark 7 92	10	101¾	102¼	+0⅛	+0¾	6.61
New Brunswick 7⅛ 95	10	103⅛	103⅝	0	+0¼	6.64
Swed Exp Cred Zero 90	14	72¾	73¼	0	+0⅝	6.49

Average price change On day +0⅛ on week +0⅝

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Sumitomo Bank 2¾ 2000	8/85	2142	96¾	97¾	+0⅛	14.45
Sumitomo Corp 2⅞ 99	5/84	593	129⅛	129⅝	+3¾	1.26
Taiyo Yuden 3⅛ 2000	3/85	1076	†83	85	+1	−3.73
Takeda Riken 3⅛ 2000	10/84	7663	†78	80	+1	33.95
Tokyo Sanyo Elec 3½ 99	12/84	772	93	94	−0¼	10.23
Toshiba Ceramics 3 2000	4/85	1734.2	90¼	91½	−0⅛	10.97
Nippon Oil Co 2⅞ 92 SF	3/84	8052	†99	100	+1⅜	44.43
Nippon Shinpan Co 2 92 SF	3/84	801	†99	99¼	+1⅞	14.87
Asics 5 92 DM	12/83	520	180¾	188	0	34.13
Sem Realty 6¼ 92 DM	2/83	338	†329	330	+5⅞	0.00

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Toyota Motor lifts group net earnings by 37.7%

BY YOKO SHIBATA IN TOKYO

TOYOTA MOTOR has reported a jump of 37.7 per cent in group net profits to Y405.8bn ($1.75bn) for the year to June, supported by unexpectedly strong sales in the U.S. and China and the yen's steep depreciation against the dollar. Group net profits were 1.32 times more than those of the parent company, and Toyota is now Japan's largest company in terms of profits.

Group pre-tax profits advanced by 39.3 per cent to Y831.6bn, on sales of Y6,770.3bn, up 14.6 per cent. Parent company sales were Y6,064.4bn. Group net profits per share were Y159.82, compared with Y121.91.

The figures cover 16 subsidiaries out of a total of 119. Five of the 16 are in Japan, five are overseas and six are offshoots of overseas subsidiaries. Nine affiliated companies are covered under the equity accounting method.

None of the subsidiaries or affiliates reported deficits for the year. Consolidated pre-tax profits were Y183bn more than those achieved by the parent company. About 80 per cent of the difference came from Toyota Motor Sales U.S.

The group sold 3,572,143 vehicles in 1984-85, up 6.0 per cent, with passenger car sales of 2.5m units, (up 2.0 per cent), and truck and bus sales of 1m units (up 17 per cent). Domestic car sales dropped by 1.4 per cent to 1.6m units but overseas sales were up 13.2 per cent to 1.9m units, thanks to increased sales in the U.S. and China.

Prices were increased in the U.S. as Japan's voluntary export restraints caused a shortage of Japanese cars there, and this helped push up Toyota's profits.

For the current year to June 1986, Toyota expects pre-tax profits to level off if the dollar continues at the current rate of around Y230. The company estimates sales for the year of Y7,000bn.

HK to tighten disclosure rules

HONG KONG — Hong Kong's Standing Committee on Company Law Reform has recommended tough share disclosure requirements on public companies.

The Committee is "strongly inclined" towards legislation that would require disclosure of beneficial ownership of shares and of major share transactions. Almost alone among major financial centres, Hong Kong now has no such requirements.

Veiled and cross ownership of companies has been blamed for several recent financial scandals and corporate failures in Hong Kong, including the collapse of Overseas Trust Bank and the troubles of many deposit-taking companies.

The proposals outlined by the Committee suggested that directors of public companies be required to disclose their interests in shares or debentures of their companies, or in the parent, subsidiary or associate companies of those concerns. That obligation should also extend to a director's family, the Committee said.

It recommended that major shareholders be required to disclose similar information, and that group interests acting as "concert parties" also make share disclosures. The definition of a major shareholder has not been decided.

Hong Kong's Fnancial Secretary should have authority to investigate "suspected breaches" of disclosure requirements, the Committee said.

● Hong Kong-S Commission of Deposit-Taking Companies has revoked the registration of Renown Credit at its own request.

AP-DJ

China venture for Galactic Resources

By Kenneth Marston, Mining Editor

GALACTIC RESOURCES of Canada has signed a letter of intent for an equal equity joint venture agreement with Xinjiang Non-ferrous Metals Corporation of China to develop polymetallic and gold prospects in the Xinjiang Uygur Autonymous Region of western China.

The region is highly mineralised with a long history of precious metal mining and borders mining areas in the Soviet Union. Geological characteristics are understood to be similar to those in Nevada.

News Corporation profits show marginal increase

SYDNEY—News Corporation, the Australian holding company for Mr Rupert Murdoch's international media empire, has reported a 0.2 per cent increase in profit for the year ended June 30.

The company made a consildated after-tax profit of A$96.1m (US$68m) for the year, up from A$95.9m in 1983-84. The final dividend is 5 cents a share, bringing the annual total to 9 cents a share compared with 13 cents a share the year before, or 6.5 cents a share adjusting for a one-for-one scrip issue.

Group turnover, excluding revenue from associated companies, totalled A$2.45bn, up from A$1.87bn.

News Corporation said the results reflected an improvement in earnings from operations in Australia and the UK, offset by a slight deterioration in profits from the U.S.

In addition, the company said it had a profit of A$51.2m from extraordinary items compared to A$60.4m loss the year before. This year's extraordinary items, were from surpluses on sales of assets less prior tax charges to bring the UK tax accounting into line with Australian standards.

AP-DJ

Paribas will not close file on Riccar

By Jurek Martin in Tokyo

BANQUE Paribas said yesterday it was not prepared at this stage to write off the losses it incurred as a result of the bankruptcy last year of Riccar, the Japanese sewing machine company.

M Denis Antoine, of the French bank's Tokyo office, insisted that locally published reports that Paribas was about to file a legal complaint in a Japanese court against Mitsui Bank, Riccar's lead bank, were inaccurate.

But, he added "we simply cannot close the file" on the Riccar case; "we cannot treat it as an ordinary bankruptcy" and "we cannot completely disregard legal action."

Riccar went bankrupt in July of 1984 with liabilities exceeding Y100bn ($432m). Subsequent allegations of fraudulent bookkeeping at the company have been followed by lawsuits against its former management by its court-appointed trustees and by the Ministry of Finance.

Paribas' exposure was Y1.5bn —"not spectacular," according to M Antoine. But he noted that other foreign banks had also made loans to Riccar and that this appeared to be the first time that "a fraud of this magnitude" had involved foreign banks.

Last month, the Riccar receiver stepped down and has not as yet been replaced. M Antoine said that much more information need to be made public about Riccar's affairs, including, he said, the real nature of the relationship between representatives of Mitsui Bank and Riccar's management.

GSH raises Hooker stake

SYDNEY — GSH Investments, controlled by Mr George Herscu, has bid A$2.20 per ordinary share for 30 per cent of Hooker Corporation the large Australian property group.

GSH, wholly-owned by Mr Herscu and his family, now holds 35.87m Hooker shares, or 19.99 per cent of the issued capital,

Reuter

INTL. COMPANIES & FINANCE

Kenneth Gooding profiles Europe's leading car manufacturer

Ford takes the long-term view

FORD is satisfied with the progress being made towards getting its European operations into shape, says Mr Harold "Red" Poling, the president.

"I would look for profits for this year to end up as good as or better than last year, he adds. In 1984 Ford of Europe's net profit was a marginal $147m, down from $281m the previous year.

Europe is Ford's second largest car market and last year the U.S. group took the lead in it for the first time. However, Europe accounted for only 5 per cent of group net profit while contributing 16 per cent of Ford's $52.4bn world wide sales.

Mr Bob Lutz was drafted back to become chairman of Ford of Europe last summer to work on a new strategy and to cut costs so that the organisation, which made $1bn profit as recently as 1979, did not move into losses.

"We still look at Europe as having a great deal of potential if we do the job right," says Mr Poling. "We think we have proved with our past track record that we know how to make money there better than anybody else and we will be making good money there in the future."

Ford's share of the European car market has slipped back a little in 1985—it was 11.8 per cent at the end of August compared with 13 per cent for the whole of 1984. Mr Lutz is concentrating more on profitable sales rather than volume.

Mr Poling maintains, however, that "you need to keep a reasonable balance between profitability and share. I don't think you can give up too much share, but on the other hand I think buying share does nothing long term either for an individual company or for the industry."

"I think the major direction an automobile company has to take is to design the product that the customers need and want and provide good value for money. That's our heritage and it has been successful."

Mr Poling insists that the battle in Europe is not simply betwee nthe two multinationals but between six car producers, all with about equal market shares. "I think it is more than a battle, it is a striving for a long-term viability of corporations. You cannot lose money in the way of the magnitude that some of the European companies have been doing on a long-term basis. If there is a battle going on, it is to find a way of having a viable, long-term business."

Ford's answer to the problems of excess capacity and severe competition in Europe might be a wide ranging co-operative arrangement with Fiat of Italy—one of the suggestions put forward by Mr Lutz. This proposal is being evaluated and both Ford and Fiat want to be able to make some formal announcement about their decision before the end of this year.

Mr Poling points out that if Ford of Europe had an association with another vehicles group there would be opportunities to use production capacity more fruitfully; the companies would have tremendous buying power when dealing with suppliers; and the cost of developing and introducing new products would be reduced.

So a deal with Fiat might solve Ford's own excess capacity problems by putting it in a position to increase sales. Mr Poling says that Ford is continnously assessing the balance between the demand for its products and its European capacity. "Excess capacity means excess cost, and you can't live with that situation long term. If demand and capacity are significantly out of balance you have to consider what alternatives you have to those conditions."

It is also possible that by the end of this year Ford will have found a long-term strategy for its Latin American operations, another problem area for the company.

When Mr Lutz was drafted back to Europe last year his previous job—responsibility for all Ford's operations outside North America—was split up and Mr Lindsey Halstead given charge of Latin America and Asia-Pacific.

Mr Poling says: "I felt that the problems were sufficiently serious in South America to require the attention of a full-time top executive. We needed someone to concentrate almost full-time attention on a serious problem and I think it will result in a positive solution a lot quicker."

In particular, Ford has to find a way of improving its position in the Argentinian and Brazilian markets, where economic conditions change rapidly. It faces complex regulations about the level of local content it must build into its vehicles and, in Brazil's case, mandatory export quotas.

General Motors shut up shop in Argentina some years ago, saying it had no long-term potential. Mr Poling points out that when GM ceased assembling vehicles Ford was still profitable in Argentina. "We have remained profitable except for the past couple of years. The plan we are looking for is one which would return our operations there to profit. We would only pull out when we had exhausted every other possibility."

He says Ford must get its cost base right in both Argen-

Mr Harold "Red" Poling—striving for viability

tina and Brazil. Ford, like the other car producers in Brazil, benefits from the export incentives provided by the Brazilian authorities. But Mr Poling insists his company cannot afford to rely on the incentives continuing. If you are going to be an exporter you are going to be an exporter because you have a low cost base or else you have a product you can charge a premium price for.

"I think the best position to be in is the former, so we will continue to concentrate on improving the cost structure so we are sure that in the event of either (a) the government of Brazil changing the incentive programme or (b) other countries imposing some form of counter action, we will not get into serious difficulties."

At the moment, apart from a slight weakness in the market in Taiwan, Ford's operations in the Asia-Pacific area "look pretty good." Mr Poling warns, however: "But you know how fluid the situation is in the motor industry today. If you had looked at Europe in the late 1970s could you have detected what it would look like today? Two years ago we would not have predicted that Argentina was going to look like it does today. And in the late 1970s and as recently as the first quarter of 1979 you would not have predicted that the industry in the U.S. would have recovered the way it has today."

Ford revolutionised its prospects in the Asia-Pacific region by handing over production of cars for its dealer networks in the area to Mazda, its 25 per cent owned associate which has its car plants in Japan — the world's low-cost production centre.

"We have an excellent association with Mazda which has been of benefit to both parties," say Mr Poling. "We will always look for additonal opportunities that exist for partnership. What we have achieved in Asia-Pacific is an indication of the potential that might exist in other parts of the world."

Mazda will be providing components to a new Ford car assembly plant in Mexico which will export a substantial proportion of its output to the U.S., for example. And the Japanese company will sell about half the production from its car plant at Flat Rock, Michigan—which comes into operation in 1988 — to Ford.

The two companies are also involved in a co-operative venture with Kia in South Korea which will also produce more small cars for Ford's North American outlets.

Mr Poling says Ford needs to use low cost cars from Korea and Taiwan to cope with the Japanese, who can land an Escort sized car in the U.S. for about $2,700 less than it costs Ford to produce there.

The company is addressing that problem by introducing much more automation every time a new model is put into production, and through the so-called Alpha project which involves a completely different approach to designing, developing, building, and distributing cars.

Ford's U.S. competitors, GM and Chrysler, have their own versions of Alpha. Mr Poling maintains: "It has to be one of the biggest challenges the U.S. industry has ever faced.

"To be completely candid I'm not sure we can actually do it. We really want to fill our car plants in the U.S. but when you think a $2,700 cost disadvantage on an Escort sized vehicle, that is a tremendous task.

"But we are sure going to give it the best try you have ever seen."

TECHNOLOGY

EDITED BY ALAN CANE

Why British Telecom is still breeding resentment

UK market rules on telecommunications have not been relaxed enough to placate BT's rivals, reports Alan Cane

SPACE-AGE telephones which listen when you talk to them are no longer pie-in-the-sky, but the UK telecommunications business is still enmeshed in more earthly matters.

The potential market for installing modern telephone jacks in the 76 per cent of UK homes still fitted with the old variety is £500m — but only British Telecom can profit from this, which causes bitter resentment in the telecommunications business.

Dealers say that BT's dominant market position has slowed the growth of telephone sales in the High Street and contributed to casualties among specialist retail outlets.

The resentment centres on the fact that although the UK telecommunications market has been liberalised further and faster than any other European country, only British Telecom is allowed to fit sockets or connect cable to the public telephone network.

A new report* on the UK telephone market says: "Opinion is that the Government made a mistake in this particular aspect of its liberalisation policy, saying that BT deliberately devised a system to slow down the growth of telephone sales and stop independent retailers gaining too much ground."

Systems Dynamics, the consultancy which compiled the report, says BT is reluctant to move on the issue. "Our information indicates that the level to which they are likely to go is to allow liberalisation of the market for line jack (modern) sockets for secondary telephone extensions," says the consultancy.

Meanwhile, there is growing anger among suppliers about BT's monopoly on socket installation. It is installing 200,000 sockets a month, but at that rate it would take nine years to convert the remaining 15.2m premises which have only old-fashioned jack plugs.

Many people who buy telephones in the High Street do not realise that only BT can install the socket. The waiting period for installation can be four weeks. Systems Dynamics alleges: "If no telephone has been bought, the BT man may well try to sell the customer one of the Inphone (BT's own telephones) range.

"These delays in the conversion of sockets are said by some to be responsible for early casualties among telephone retailers."

So suppliers are upset that every telephone they sell adds to BT's coffers. Only 16 per cent of homes have more than one telephone, which implies a very large market in the 1990s. The price of telephones is expected to fall considerably. The one-piece telephone which sells for £20 today is expected to come down to £15 by the end of the year and to £10 in 1986, a level at which prices will stablise. There will therefore be every incentive for householders to install two or more handsets.

Systems Dynamics points out that BT is up against aggressive price competition from other suppliers and that this new demand is likely to be met by cheaper-end products from independent suppliers.

It predicts that by 1990, 20 per cent of the 20m domestic telephones then in use will be replaced with handsets bought from suppliers other than BT.

The overall conclusion is that home-produced telephones will not, in the long term, be able to compete with mass-produced products from the Far East and that, in the next year or so, cheaper and more efficint cordless telephones and loudspeaking one-piece telephones are likely.

Mobile telecommunications has the brightest future, and the suggestion is that a portable telephone the size of a pocket diary will be commonplace by the turn of the century.

Voice activated telephones are another likely innovation. The French are planning to test one system intended for public use next year.

* *The UK Market for Telephones; Systems Dynamics; Heronsgate Road, Chorley Wood, Rickmansworth, Herts, WD3 5BW*

UK EXPORTS AND IMPORTS OF TELEPHONE HANDSETS
Last six months

	1982 £'000s	1983 £'000s	1984 £'000s
EXPORTS	2,428	2,219	3,684
IMPORTS	3,534	13,427	11,241

Source: Overseas Trade Statistics

More than 170 models of telephone handsets are now available in the UK from 30 suppliers. British Telecom alone offers 36 models, chiefly made by other manufacturers. Its best-selling Statesman, a push-button, two piece telephone, is made by GEC, Philips-TMC and Plessey. Five different kinds of combined workstation/telephone are now available in the UK.

Cellular radio moves into vehicle fleets

PUBLIC CELLULAR radio telephone services, originally aimed at individual businessmen and company executives, seem set to move into the company fleet market with the introduction of some new services by Motorola.

Most company fleets of sales, service, haulage or public service vehicles have used private systems with dedicated transmitter on a local basis.

Using cellular radio, no base station expenditure or frequency allocation problems arise; only the vehicles have to be equipped.

The system also makes it possible to cover wide areas because with cellular radio, the vehicle is handed from cell to cell, under computer control, over an area which gets bigger as cells are added to expand coverage outwards from London and other cities.

The problem is that with public access to most of the world's telephones direct from each vehicle, bills could easily become excessive.

Motorola, the largest retailer of the Cellnet system after British Telecom, is offering three "Fleetphone" services which should prove attractive to fleet operators.

Fleetphone One, for example, uses car radios programmed to call only fixed and mobile numbers designated by the communications manager. No restriction is placed on how often a call is made, but the special sets ensure that the phone is used only for authorised calls.

At the Fleetphone Two level, the subscriber purchases air time in bulk from Motorola Communications Services. Communications managers with medium to large fleets and regular communications patterns can buy airtime at a discount, paying regularly by direct debit.

With the Fleetphone Three service, the mobile telephone becomes an extension of the subscriber's telephone exchange or PABX. The necessary link between the PABX and the Cellnet system will normally be provided by a private land line rented from British Telecom by Motorola on behalf of the subscriber.

Calls between extensions on the PABX (and those on any interconnected PABX) and the mobile 'phones thus avoid the public fixed telephone network and its associated charges.

Fleetphone is a good example of the "value added" services now being built up on the framework of basic public offerings. Already, Motorola offers an "instant office" to businessmen in their cars, providing them with a secretary to take messages, relay calls, send telexes, type letters, book hotels and so on. More on 0256 58211.

Geoffrey Charlish

Control aid by Olivetti

THE LATEST computer-based manufacturing control system from Olivetti is designed to look after scheduling, capacity planning, materials requirements, stock recording, ordering and costing.

Called OMS (Olivetti Manufacturing System), it is being distributed by Olivetti under licence from Organisation Development Group and is the latest addition to the Italian company's Line One range of manufacturing systems.

Line One already includes computer-aided design and manufacturing systems and a production control system called GTX.

Correction

WHARTON Information Systems' survey, *Personal Computers in UK Offices—The Position in 1985*, costs £650, not £6.50 as stated in yesterday's edition. The report is available from Wharton at 12, Eton Street, Richmond, Surrey (01-940 7366).

Foreseeing the day when computers serve as co-pilots

David Fishlock on Sperry's bid to harness the potential of artificial intelligence systems

PICTURE A hangar filling with fighters returning from a sortie. Their pilots have left for their own debriefing, but the airwaves are buzzing with the chat of computers exchanging and memorising each other's experiences of the day's work.

That is how one senior computer engineer with Sperry imagines the future of artificial intelligence.

One present U.S. goal is a computer smart enough to act as a second pilot in a single-seat warplane, says Dr Pat Corbin, an executive with Sperry's newly-formed Knowledge Systems Center in Bloomington, Minnesota. The centre forms a hive of autonomous activity designed to focus all company interest—commercial as well as military—in artificial intelligence (AI). It reports to Mr Joseph Kroger, a main board director and vice-president in charge of the information systems group.

The Knowledge Systems Center is already forging joint ventures with other companies such as Texas Instruments to give Sperry a higher profile in what the company sees as the next big step in computing. The centre is independent of the company's artificial intelligence laboratory at Reston, Virginia, and of the interest of Sperry's AI product divisions.

Dr Corbin, one of the company task force which led to the centre's creation, offers some insight into the computing power intelligent computers are going to need. One clever enough to sit alongside a fighter pilot as his confidant and adviser in battle, and perhaps help him home injured, will need to handle a billion operations a second, he says.

But the U.S. Navy is thinking of a computer that must handle 10bn operations a second, and the U.S. Army is thinking of an autonomous land vehicle ("smart tank") which will need to handle 1,000bn operations a second. With such goals as these Dr Corbin predicts that within five years "the computer will mean something completely different."

Sperry began to recognise AI's importance to its own future as part of the shift in corporate goals which is turning the former engineering conglomerate into a research-based based group specialising in electronic systems. Last year it spent $460.7m of its own money on research and development—12 per cent up on 1984 — and another $423.2m on contract R and D for its customers.

Mr Gerald Probst, Sperry's chairman and chief executive officer, recruited his task force from inside the company to examine the implications of AI for the refocused firm. The task force concluded Sperry must plunge into AI without further delay.

Hence the autonomy granted its Knowledge Systems Center and the speed with which it has concluded its first commercial agreements. The Texas Instruments agreement is for Sperry to market Explorer, a powerful machine for developing AI systems based on technology TI has drawn from LISP Machine Corporation and MIT. Another agreement is with Intel Corporation for Sperry to market KEE, its "expert system shell."

The centre itself consists of about 13 professionals based at Bloomington and another five "in the field," at key centres of AI application in the U.S. and Europe. Defence is expected to provide the main impetus, but Dr Corbin sees three particular target areas for AI exploitation where the Pentagon will be showing particular interest.

One is advanced aerospace and marine systems such as the "second pilot" in the cockpit. It is already teamed with Rockwell and BDM, a defence consulting group, in studying AI applications in battle management, a project funded by the Strategic Defence Initiative Organisation ("Star Wars"). The centre is also working with Rockwell on NASA's $9bn international space station, where AI is seen as the way to minimise the number of astronauts needed in space.

Another target must be manufacture, where Dr Corbin says Sperry's own product divisions are already proving "very receptive." The centre is developing an expert system to find flaws in very sophisticated printed circuit boards, as well as doing all the inter-connecting—a task at present so complex it must be completed by hand.

The third target he foresees is applying AI to help the procurement of AI software—"not the kind of problem we'd normally think of."

Tomorrow: making computers easier for the military to use

Contracts and Tenders

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES
(Ministry for Energy & Chemical & Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Oil Exploitation Company)

NOTICE OF NATIONAL AND INTERNATIONAL OPEN CALL FOR TENDERS NUMBER 1177/1J/MEC

The National Oil Exploitation Company is launching a National and International Open Call for Tenders for the supply of the following:
— Spare parts for MAN Tractors.

Tenderers interested in this Call for Tenders may obtain the specifications from the following address:

ENTREPRISE NATIONALE DES TRAVAUX AU PUITS (ENTP)
16 ROUTE DE MEFTAH, OUED SMAR, EL-HARRACH,
ALGIERS, ALGERIA
Direction des Approvisionnements (Supplies Division)

for the amount of 400 Algerian Dinars, with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a closed double-sealed envelope by registered mail to the Secrétariat de la Direction des Approvisionnements (Secretariat, Supplied Division) at the above address.

The outer envelope should bear no mark that might identify the tenderer, or any heading, and should read: "AVIS D'APPEL LA CONCURRENCE OUVERT NATIONAL ET INTERNATIONAL No. 1177/1J/MEC—CONFIDENTIEL—A NE PAS OUVRIR" (National and International Open Call for Tenders No. 1177/1J/MEC—Confidential—Do Not Open). Tenders must be received within 45 days after this notice is published.

Tenderers shall be bound to their offers for a period of 180 days after the closing date of this Call for Tenders.

UK COMPANY NEWS

DRG raising £33m to provide financial flexibility

DRG, the packaging and stationery manufacturer, has notched up a near 50 per cent interim profits rise and is raising £33.4m through a rights issue to provide financial flexibility.

Most of the profits rise, up from £10.6m to £15.7m pre-tax, mainly stemmed from UK operations and was attained on turnover ahead by £20.9m to £312.7m. Interest payable amounted to £3.5m (£3.2m).

The rights is on a one-for-four basis at 165p, which offers a 13 per cent discount to last night's closing price of 190p, down 10p. J. Henry Schroder Wagg & Co is providing underwriting cover and brokers to the issue are Cazenove & Co.

DRG says the rights will enable it to pursue a more expansionary policy and will be invested against strict financial criteria in new and existing businesses which have good prospects for growth and profits. These include medical and plastics packaging, branded stationery, office and printing supplies and specialist engineering, and will mainly be in Europe and the U.S.

Earnings per share for the first six months of 1985 benefited from an effectively lower tax charge of 22.3 per cent (27.4 per cent) and rose from 8.6p to 13.9p. The interim dividend is being raised by 10 per cent to 3.3p. Retained profits totalled £12m (£3.5m), and included a £3.2m extraordinary credit (debit £1.2m) primarily for property disposals.

While there is still overcapacity and price weakness in some of DRG's markets, the further improvement in the results reflects, the directors say, a generally healthier trading environment and benefits of past restructuring.

Despite a slow start to the year in personal stationery, the manufactured stationery business group reduced "a strong profit performance." There was a significant increase in profits from branded papers where demand was relatively buoyant, accompanied by an easing in last year's cost pressures; there were added benefits from productivity measures.

UK packaging activities are increasingly oriented towards plastics products, in both rigid and flexible form. The investments made in these areas in terms of technological and product development are yielding growing rewards, and "we are securing productivity gains which will improve cost competitiveness," says DRG.

In contrast, results from the paper and board based packaging companies remained disappointing, partly due to lower than expected demand in some markets.

The trading business group kept up the improved results which it recorded in the second half of 1984, and continues to gain market share in both commercial stationery wholesaling and litho supplies.

Within the engineering business group, activity in the design offices and workshops of Strachan & Henshaw was at a high level, but there was pressure on margins. Profits from Strachan Henshaw Machinery were above average due to the incidence of completions and lesser dependence on subcontracting.

Last year the group's performance showed an exceptional bias towards the second half, which is "not likely to be repeated this year." Second half profits in 1984 amounted to £15.4m.

● comment

In the last four years, DRG's shares have trebled in price, and have recently been trading at around their all-time high. Taking this with the company's announcement that the paper cycle has seen its best, it is hard not to dismiss yesterday's rights issue as opportunistic; a way of tucking money under its belt in time for any downturn. It is not even as if the company's record has been particularly sparkling. DRG has, admittedly, recovered well from the recession of the early 1980s, but it is still making nothing like the profits of, say, 1974. Nonetheles, this is its first call on shareholders and there is certainly a case for reducing its dependence on mature, cyclical industries by acquiring companies in areas like medical and plastic packaging. And yesterday's results at least sweetened the pill. At this rate, the company should be able to make around £30m for the year, and with the 10 per cent increase in the dividend, the prospective yield is a fairly generous 6 per cent on the increased share capital.

Southwest Resources £8m sale to Ultramar

By Frank Kane

Southwest Resources, the oil, gas and mineral exploration group quoted on the USM, has sold its subsidiary Southwest Consolidated Resources (SCR) to Ultramar in a cash deal worth approximately £8m.

The main attraction for Ultramar is the 7 per cent interest which SCR holds in block 44/23 in the North Sea. SCR has net current assets of approximately £3m.

The purchase follows the discovery of gas reserves on the site earlier this year, which Ultramar yesterday described as "promising," and is in line with the company's policy of expanding its exploration interests. Further drilling to appraise the potential of the block is expected to start shortly.

Mr Ken Keep, chief executive of SCR's UK operations, said that full development of the block would have meant an "extended exploration programme" which would not have made financial sense for his company. SCR has no UK offshore production income against which to offset exploration costs.

Southwest considered that it was best to realise its investment in the block, with the intention of using the proceeds to expand its oil and gas activities onshore in the UK and elsewhere.

To this end, Southwest has joined consortia comprising UK and North American companies with a view to making applications in the first onshore round of licensing which closes today.

Samuelson expands

Samuelson Group, film and television equipment supplier, has reached conditional agreement to buy the other half of the Swiss-based Film Service Equipment from Hillingdon Investments. The consideration will be £500,000, satisfied by £100,000 cash and 153,022 ordinary shares.

FES is the ultimate holding company of Samuelson Film Service (Australia). In the year to March 31, 1985 it made pre-tax profits of SwFr 1.23m (£386,000), with net assets at the year end of SwFr 3.61m (£1.13).

Pennine reduces its losses

Pennine Resources, with activities in oil and gas, real estate and retail stores, reduced pre-tax losses for the year to March 31, 1985 to £424,000 gainst £573,000 last time, and, for the half-year to September 30, it expects to report its first trading profit.

Turnover rose more than 20-fold to £2.3m compared with £110,000. However, losses per share increased sharply to 11.9p (4.6p) and there is no dividend.

There was a gross profit of £1.15m (£8,000). Depreciation took £171,000 (£184,000) but there were no exceptional debits (£192,000). Other operating charges took £1.67m (£481,000), giving a trading loss of £689,000 (£849,000).

Other income added £99,000 (£9,000) and interest received £163,000 (£267,000). Realised foreign exchange gains were £195,000 (nil). Interest payable was £191,000 (nil).

There was a tax credit of £15,000 (nil) and extraordinary debits of £1.14m (£26,000), giving attributable losses of £1.55m (£599,000).

The Seahawk land programme, a long-standing oil and gas investment, had a significant success in its Vermillion 97 prospect, which greatly improved the possibility of its profitable sale, says the group.

The turnaround of the portfolio of real estate and petroleum-related assets in Chanute, Kansas, has been hit by the oil market and the general difficulties facing farmers. The portfolio continues to be rationalised and enhanced and its piecemeal realisation progresses, says the group.

In January 1985, the group acquired Dutchmaid, a manufacturer and distributor of family apparel through the party plan system. In addition, it acquired a chain of off-price factory outlet stores, a growing concept in U.S. retailing, which sold to the same range of customers as Dutchmaid. The acquisition, from U.S. Industries, was completed in May 1985 for a consideration of cash and shares resulting in Hanson Trust Group becoming a 15 per cent shareholder in the group.

The group merged its party plan organisation with the Queensway organisation for cash and a 2 per cent override on the next two years' sales made by the transferred members of the party plan. Then the company ceased to manufacture.

As a result, the group says, it will enjoy a strong cashflow in the months ahead from the liquidation of inventories and the sale of buildings, which it will use in part to fund the expansion of its Talbott network of 21 stores in Pennsylvania and Florida.

Martin Dickson on Imps future after the HoJo d posal

Life without a millstone . . .

IMPERIAL GROUP'S clinching of a $314m (£219m) deal to sell its troubled Howard Johnson hotel and restaurant business brings to an end one of the most ill-starred U.S. investments by a major British company in recent years.

For that reason alone, yesterday's news of a deal with Marriott and Prime Motor Inns brought sighs of relief in the City—even if the price was well short of earlier hopes.

"It may not be a fantastic deal," said one analyst, "but they have eliminated a running sore of major dimensions."

The sale also substantially changes the profile of the group, reducing the major legs of its business from four to three—tobacco, brewing/leisure and food—and making it overwhelmingly dependent on the UK market.

Mr Geoffrey Kent . . . few clues to acquisition strategy

A key question now is what acquisition strategy Imperial, freed of the Howard Johnson millstone, will now adopt to once more broaden its interests.

Mr Geoffrey Kent, the chairman, was giving few clues yesterday, beyond saying that the company's strengths were in fast moving packaged consumer goods and services; that it was too dependent on the UK economy; and that he would like to see greater international business — particularly in the U.S.

Brewing and leisure seems one area it is likely to concentrate on, and there was speculation among analysts, yesterday that it might be eyeing a regional UK brewer to put together with its Courage subsidiary.

There has also been much speculation that Imperial, with its strengthened balance sheet, could now itself prove attractive as a bid target.

Mr Kent acknowledged yesterday that nowadays no company, however large, could assume itself to be invulnerable to a bid. But he added that he was not going to be steamrollered into acquiring companies — as a defensive tactic — because of speculation about Imperial's vulnerability.

Whichever way it eventually moves, Imperial will be anxious to convince investors that it is buying quality assets and not another Howard Johnson.

The acquisition of the hotel chain was controversial from the very beginning. Imperial, keen to diversify out of tobacco, bought the group in 1980 for $630m — £280m at the then very favourable sterling/dollar exchange rate — but against the judgment of some major institutional shareholders, who questioned the price and strategy.

In retrospect, the timing was absolutely right in currency terms, but wrong from a trading viewpoint, with the U.S. about to go into a major recession.

Above all, however, Howard Johnson turned out to have a major weakness—its Orange Roof restaurant chain, on which little or no money had been spent for years and which had lost touch with the market. "The menu was not right, the position was not right, and the service was appalling," recalls Mr James McKinnon, Imperial's finance director.

Imperial has poured money into the restaurants, but has still not yet managed to make them financially successful, while the Howard Johnson group as a whole has consistently fallen short of budget.

DIVISIONAL PERFORMANCE ANALYSIS	Operating profit 1984 Year (£m)	1984 First half (£m)	1985 First half (£m)	% change
Imperial Tobacco	108.9	53.7	64.8	19.9
Imperial Brewing	80.0	32.2	32.5	0.9
Imperial Foods	31.0	12.1	15.0	24.0
Howard Johnson	11.4	2.8*	8.6*	—
Other	0.3*	0.1	0.1	—
Total	231.0	97.3	105.8	8.7

* Loss.

In the year to last October, Howard Johnson's operating profits fell 40 per cent to $15m. In the first six months of the current year operating losses totalled $9.9m—$6m worse than in the same period of 1984—and during the second half, which is usually better, it has continued trading significantly below 1984 levels.

It was this time last year that Imperial announced to the world that it was thinking of selling Howard Johnson and had appointed Goldman Sachs, the New York investment bank, to identify possible buyers. interested parties was drawn up but over the months those dwindled down to two or three groups. At one stage in June Marriott broke off talks, apparently after failing to get Imperial to agree to negotiate with it alone. But the two began talking in earnest again the following month when Imperial's hopes of a substantially higher offer from another party had been finally dashed.

The immediate impact of yesterday's deal will be twofold: firstly, it will improve Imperial's liquidity by about $300m—with Marriott paying $162m in cash for Howard Johnson and also taking on $138m of external debt. Secondly, the trade off between this increased liquidity and the loss of the subsidiary's profits, could mean an increase of about £13m in the group's annualised pre-tax profits.

Imperial is retaining for the moment one part of the Howard Johnson group—the 211 Ground Round restaurants which serve alcohol, and are particularly popular among the young. The market they serve does not fit into Marriott's restaurant strategy.

Mr Kent said yesterday that a new chairman, Mr Eric Barnard, would be taking over the chain and would be advising whether it should be added to or eventually sold.

Over the longer term, the sale of Howard Johnson should have a powerful psychological effect on the group. "The release of of resources and removal of uncertainty will greatly enhance Imperial's future profit and growth prospects," the chairman claimed yesterday.

Mr Kent took over Imperial in 1981 when disenchantment with the company's performance led to a boardroom coup and the abrupt departure of his predecessor, Mr Malcolm Anson.

Mr Kent brought in a major change in management style, and began selling off unwanted businesses, notably in the food division.

The results — Howard Johnson apart — are widely regarded as impressive, with pre-tax profits more than doubling since he became chairman to £220m last year.

In the current year, strikes at the company's Tadcaster brewery and at the Golden Wonder crisp factories will hold back profits, with analysts expecting the company to make not much more than £225m-£230m.

However, with Howard Johnson out of the way, there could be a substantial profits jump next year, with some analysts pitching for around £265m pre-tax.

Mr Kent then, has proved himself a very effective producer of organic growth. But he has yet to prove himself in the delicate matter of acquiring new businesses.

Strong UK performance lifts Spear & Jackson

WHILE DIFFICULT trading conditions continued in North America, a sharp increase in UK profitability enabled tool maker Spear & Jackson International to lift pre-tax profits by 39 per cent from £735,000 to £1.02m for the 26 weeks to June 29 1985. Turnover rose by 19 per cent to £22.4m, against £18.86m.

Mr S. M. de Bartolomé, the chairman, says the substantially improved results reflect management actions taken in the second half of 1984 at the group's UK companies. In particular, the integration of the saws division of Firth Brown Tools, acquired in June 1984 from John Brown, has been successfully completed and returned to profitability.

It now forms part of the group's UK cutting tools company, which, the chairman says, is making an important contribution to group profits.

In addition, the considerable product development and marketing efforts at the group's hand and garden tools company, which as expected, had an initially adverse impact on results for the second half of 1984, are now having a positive impact in terms of both market share and profits.

Following a change of financial year end, the next published results will cover the nine months period to the end of March 1986. The chairman points out that this period suffers the effects of the summer, Christmas and New Year holidays which do not influence the first half of the calendar year.

In the half year, UK profits showed a jump from £245,000 to £1.04m, while overseas results declined to £263,000 (£668,000), giving total operating profits of £1.3m, compared with £913,000. Interest payable increased from £178,000 to £275,000.

Because UK profits are subject to a much lower effective rate of tax than those overseas, group tax charge decreased from £294,000 to £274,000. As a result, stated earnings per 25p share climbed by 66 per cent from 7.7p to 12.8p. The net interim dividend is increased to 2.5p (2p)—last year's total was 6p on £1.36m pre-tax profits.

● comment

Spear & Jackson was looking pretty pleased with itself yesterday—justifiably, since yesterday's interim figures were in marked contrast to the gloomy ones at the year end. Clearly much of the growth has come from the first-time profits contribution of Firth Brown Tools, which S & J has put a lot of work into turning round, but the other main area of growth appears to have been its old-established garden tools business where an expensive investment in marketing has brought profitable exposure for S&J products on the shelves of the multiple stores. Growth looks likely to continue at an only slightly subdued pace for the rest of the period: hand tools are now getting the same marketing treatment given to gardening tools, there is still more to come from Firth Brown, and France is delivering better results through cuts in labour costs. North America remains dull, but in spite of this and the chairman's other caveats the group will probably produce £2.25m for the 15 months. On an annualised basis and after a 27 per cent tax charge the shares, up 16p at 158p yesterday, are modestly priced on a prospective p/e ratio of 7.

Access Satellite director quits and sells holding

Mr Jeremy Peace has resigned as a director of Access Satellite and sold his 4.4 per cent stake less than a year after the company was floated on the USM.

He had responsibility for corporate development of Moreland Securities, a USM quoted property company into which Access Satellite was reversed in November last year. He purchased shares in Moreland in October 1983 at 52p, and subsequently arranged a reverse takeover by Access, a privately owned company which makes moveable scaffolding towers.

His stake was sold yesterday at 167p a share, making a gross profit of £800,000 for 29-year-old Mr Peace, who previously worked in the corporate finance department at Singer and Friedlander.

Mr Martin Wardman, chairman of Access, said yesterday that Mr Peace's role in the company had become "increasingly non-executive," and that he was resigning to concentrate on his personal business interests.

Access Satellite's shares closed yesterday, down 5p at 165p.

PENTLAND INDUSTRIES has pulled out of the proposed acquisition of Ohio-based Bernardo branded ladies fashion shoe and sandal importing division of R. G. Barry Corporation, which was due to be completed this week. A higher offer was received and Pentland was not prepared to increase its offer of up to $1.5m (£1.05m).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Albany Trust ......int	1	Nov 6	0.8	—	3
Baillie Giff./Japan	0.6	Nov 21	0.4	0.6	0.4
Barratt Devs.	5.31	Nov 21	5.31	7.62	7.62
Boase Massimi ......int	1.5	Nov 16	1.25	—	3.5
City of Aberdeen	12p	—	11.14*	18	15*
DRG ....int	3.3	Nov 11	3	—	7.5
First Castle ....int	0.93†	Nov 14	0.85	—	2.12
Kwahu	1.25†	Nov 1	1.25	1.25	1.25
Macallan-Glenlivet ...int	1	Nov 5	1	—	2.9
NEI ....int	1.65	Jan 2	1.65	—	5.25
Park Place‡	4	Nov 29	3	6.25	4.75
Scott & Robertson ...int	0.9	Dec 2	0.9	—	2.5
Spear & Jackson ......int	2.5	Jan 6	2	—	6
Steetley ....int	5	Oct 16	4.5	—	12
Wathoughs ....int	1.7†	Nov 4	1.7	—	6.25
Wingate Property ...int	0.55	Oct 31	0.5	—	1.7

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	123	Ass. Brit. Ind. Ord. ...	131	—	6.6	5.0	7.3	8.7
151	135	Ass. Brit. Ind. CULS...	137	—	10.0	7.3	—	—
77	43	Airsprung Group	54	−1	6.4	11.9	8.0	11.7
43	26	Armitage and Rhodes...	43xd	—	4.3	10.0	5.3	6.4
158	108	Bardon Hill..............	156	+1	4.0	2.6	18.7	20.5
64	42	Bray Technologies	61	—	3.9	6.4	7.4	8.6
201	157	CCL Ordinary	157	—	12.0	7.6	3.8	3.7
152	104	CCL 11pc Conv. Pref....	104	—	16.7	15.1	—	—
130	10	Carborundum Ord.	125	+1	4.9	3.9	6.2	9.7
90	83	Carborundum 7.5pc Pf.	90	—	10.7	11.9	—	—
73	46	Deborah Services.........	51	—	7.0	13.7	6.3	7.0
606	182	Frank Horsell...............	606	—	1.4	0.2	14.3	19.2
497	170	Frank Horsell Pr.Ord.87	497	—	11.9	2.4	11.7	15.6
32	23	Frederick Parker	23	—	—	—	—	—
83	33	George Blair	80	—	—	—	3.3	5.9
50	20	Ind. Precision Castings	25	—	2.7	10.8	5.8	7.4
218	177	Isis Group..................	186xd	—	15.0	8.1	14.3	21.4
124	101	Jackson Group............	105	—	8.5	8.2	7.0	7.0
285	213	James Burrough	230	—	15.0	6.5	7.3	7.3
94	85	James Burrough 9pc Pf.	93	—	12.9	13.9	—	—
95	71	John Howard and Co.	86	—	5.0	5.9	6.5	10.3
225	100	Linguaphone Ord.	182	—	—	—	6.7	7.0
100	90	Linguaphone 10.5pc Pf.	90	—	15.0	16.7	—	—
650	300	Minihouse Holding NV	570	—	6.9	1.2	24.8	23.7
120	31	Robert Jenkins............	83	—	—	—	10.8	23.7
60	28	Scruttons "A"	31	—	—	—	—	7.9
92	61	Torday and Carlisle......	71	—	5.0	7.0	3.6	8.5
444	325	Travian Holdings.........	325	—	4.3	1.3	18.5	18.2
34	17	Unilock Holdings.........	32xd	—	2.1	6.6	8.7	8.5
113	81	Walter Alexander........	110xd	—	8.6	7.7	6.2	7.8
247	195	W. S. Yeates..............	188	—	17.4	8.8	5.6	9.7

Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

NEI profits are trimmed by exchange rate moves

Northern Engineering Industries, suffered a small fall in pre-tax profits in the first half of 1985. Analysts had been expecting a small rise to £22m, but the electrical, electronic and mechanical equipment maker reported taxable earnings of £21.51m, against £21.79m.

Sir Duncan McDonald, chairman, says that exchange rate variations masked the fact that the company's preformance improved during the period. On the same rates as for 1984, this year's interim profit figure would have been £1.9m higher.

Turnover was down by 1 per cent from £428.1m to £423.3m. The tax charge was lower at £7.53m, against £8.72m and minority interests took a reduced £1.88m (£2.01m). There were no extraordinary debits this year, marking the end of the group's reorganisation, against £4.6m last time.

That resulted in attributable profits coming out 87 per cent higher at £12.1m, compared with the previous period's £6.47m. From earnings per share of 5.5p (4.95p), an unchanged interim payment of 1.65p has been declared.

Because of a change in the translation of foreign currencies from period-end rates to average the comparisons have been restated.

Sir Duncan says that the company's competitiveness is increasing, enabling it to obtain more business in the diverse markets in which it operates.

Although exchange rate variations could affect the second half, he is confident that the underlying performances will continue to improve.

In South Africa, where in the past NEI has generated 25 per cent of its profits, the chairman says events are dominated by the present political and economic climate. An improvement in orders in NEI Africa is not anticipated, but turnover and profit are satisfactory and there is considerable long-term profitable workload in hand.

Sir Duncan McDonald, chairman NEI

Activities in both Zimbabwe and Zambia, continued at a satisfactory level despite keen prices and the shortage of foreign currency which limited the importing of components.

On the group's international marketing operations, Sir Duncan makes a plea for Government support to maintain and improve its export performance.

"For success in export markets, the ability to provide high technology plant at a competitive price, on time, is essential. This the NEI companies can do. Equally important is the ability to match the extended credit terms at low interest rates which our foreign competitors are offering."

NEI Nuclear Systems, "in the absence of an established and progressive UK nuclear power programme," is successfully obtaining a range of alternative business, particularly in refurbishment and modification of existing plant, high quality fabrications and nuclear waste disposal.

A number of reorganisations began to show benefits in the period. NEI Peebles profits improved but it experienced delays in the placing of orders, as did NEI Reyrolle, which was also restructured last year.

• comment

For sometime NEI has been relegated to the status of a yield stock by institutions and these interims plus the indications given for the rest of the year wil do little to change this perception. There have been several false starts over the last two years as to major growth prospects — the Rihand project and Extel Corp to name but two. These hopes have not been fulfilled. What remains is waiting for the result of the Sizewell enquiry. However, it is not clear to what extent NEI will immediately benefit from a green light for PWR, in particular, at Sizewell. Rihand is no longer hurting but its ultimate contribution to the group could be modest. Extel Corp has not proved a very successful acquisition and has had to be slimmed down to stay in the black in a very slow market. New products for Extel are part of the reason for a growing R & D commitment — almost £50m this year for the group as a whole. In South Africa the weak rand caused almost al the currency problems and although the acquisition of the International Harvester unit led to a dilution of the UK company's stake to 60 per cent, theoperation of a subsidiary with 4,000 employees under curret turbulent conditions has to be problematic. The maintained dividend keeps the yield attractive at 9.5 perecent but expect a few surprises on the shares which closed at 79p yesterday.

News Intl. profits advance to £46.8m

News International, UK publishing arm of the Australian News Corporation, raised pre-tax profits by £6.09m to £46.79m for the year ended June 30, 1985. Turnover increased from £457.89m to £493.13m.

The improvement reflected higher profits from the Sunday Times and its magazine paper maker, Townsend Hook. The Sun and News of the World newspapers however made reduced contributions.

Advertising revenue increased by 28 per cent during the year at the Sunday Times and 14 per cent at the magazine. The Times achieved a 35 per cent advance in advertising revenue, but higher production costs as circulation figures increased meant the paper again showed a loss.

An extraordinary credit of £17.85m (£7.13m) in the 1984-85 results comprised the profit made on the sale of the group's 5.6 per cent stake in St Regis Corporation.

Tax charge was £14.84m (14.21m) and minorities accounted for £2.66m (£2.12m).

Comparative figures have been restated to reflect accounting policy changes concerning the treatment of interest costs on assets under construction and goodwill on consolidation.

The final dividend payable to special dividend shareholders in respect of 1984-85 is 5.3375p net, making a total for the year of 10.592p (8.4358p).

The company says the Times circulation is now 485,000, up 20,000 over the year and 200,000 higher than the figure four years ago when News International took over the newspaper.

The Sun increased sales by 60,000 to 4.165m and the News of the World by 640,000 to 5.2m, but interruptions to production and increased costs hit their profits.

See Lex

News Corporation results, p.21

Joan Gray on change of house style at Barratt

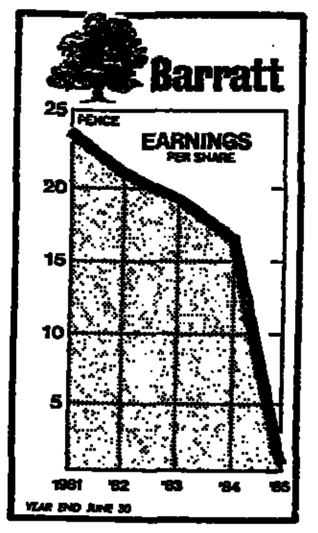
Up-market to the premier league

SIR LAWRIE BARRATT is the man who brought showmanship, bunting and the starter home to Britain's staid semi-detached housing market.

But now, after a year which has seen his profits fall to £4.1m, against £35.6m, and the number of houses his eponymous company builds fall to 10,300, compared with 13,700 last year, the showmanship is more muted — and Sir Lawrie has gone up-market.

The jolly bunting has been replaced by a yellow and white marquee with chandeliers, and the high volumes of cheap starter homes have been replaced with Tudor-beamed houses for affluent trade-up buyers.

"There has been a major change in product mix," said Sir Lawrie. "Houses for first-time buyers are now 60 per cent of our sales compared to 70 per cent two years ago. We are planning for 40 per cent sales to first-time buyers in the new financial year, and for upper and middle market sales to rise to 70 per cent in the following financial year."



He is also comfortable with his new lower output of 10,000 or so houses a year in the UK. "I don't plan on seeing our volumes climbing," he said. "We plan to trade in the UK on 10,000 houses a year and with greater profitability and growth coming from our move up-market."

For a man who used to say his strategy was "surviving on volume not chasing profit margins" an dto claim that first-time buyers were the most stable sort of demand, this is a major change.

"It's partly a question of price," he says. "The ever-increasing cost of land in the South East—the most his company has paid for land so far was £800,000 an acre in London's Fulham — just makes it uneconomic to build for first-time buyers.

"Even though most women want a new house like men want a new car, it's difficult to afford new because the price of land in the South East makes it uneconomic," he says.

Land now accounts for up to 40 per cent of the price of a Barratt house in the South East, compared to between 10 per cent and 25 per cent in the rest of the country.

The plan is that concentrating on fewer higher-priced houses is going to give the company benefits of reduced overheads, higher margins, greater control, and the hope of increased profits without having to chase increased turnover.

"Margins on middle and upper price houses are greater than on smaller houses," explained Sir Lawrie. Whereas the margin on a smaller house averaged 10-11 per cent pre-tax in the good years, margins on more up market houses are 12.5 per cent or more pre-tax.

"It's the most lucrative sector of the market but the most volatile if trade-up buyers can't sell, so we have to try and overcome the problems with services such as part exchange and help with selling their first house," he said.

Over the country as a whole, the average price of a Barratt house has already risen from £29,000 to £33,000 over the last year. He expects it to rise to £40,000 this year, with the average being pushed further by the policy of concentrating on building in the South East which now accounts for 22 per cent of sales with an average selling price of £60-£70,000.

Sir Lawrie Barratt, chairman

The company also benefits from overhead savings by building 10,000 houses a year — as shown in Barratt's results announced yesterday.

Barratt now operates with 4,250 full time staff compared to 5,500, and has saved £6m on administrative costs; selling to more affluent buyers with no need for a mortgage subsidy scheme will save the £4m it spent on mortgage subsidies this year.

Cutting the number of subsidies from 29 to 19 will, Sir Lawrie hopes, "give us a more manageable company and reduced volumes will help us to keep quality up."

Decreased volumes also meant a saving on the company's land bank. As part of the rationalisation programme, Barratt sold surplus land for £8m last year. It now has 25,000 plots compared to 30,000 at the beginning of the year — enough for two and a half years building at the new lower volumes, and with a lower overhead to service.

The decision to concentrate on more affluent buyers is clearly demonstrated by the company's new Premier collection of house styles, launched earlier this month.

The Premier collection ("The name is purely fortuitous. It's nothing whatsoever to do with Mrs Thatcher's decision to buy one of our houses," said Sir Lawrie) is all brick and decorative beams and traditional construction, with features such as weather vanes and dovecotes on two bedroomed, two bathroomed bungalows.

The Premier collection is now being built on 126 sites, and will account for 100 per cent of Barratt's output once the new styles are phased in.

The only area of Barratt's business which retains the former high volume pattern is refurbishing old council housing to provide low cost homes, such as two bedroomed flats for £26,000 in Wandsworth, for example.

The company currently sells 800 refurbished houses a year and plans to keep output at that level. "The margins on refurbishment are less, but we sell two or three or four a week."

Turnover for the year ended June 30, 1985, was virtually unchanged at £538.4m, against £537.6m, and after much higher interest charges, up from £12.6m to £21.7m, pre-tax profits or the period slumped to £4.1m. This is compared with £35.6m the previous year, and a record £52m in 1982-83.

After an expectedly disappointing midterm result—profits dropped from £19m to £4m—directors said they looked forward to an improvement in the second half of the year. In the event the company broke even over the latter six months.

Tax charge was £2.8m against £6.6m, after which earnings are shown as 0.7p, compared with 16.3p per share. The dividend is, however, maintained at 7.62p with a same-again final payment of 5.31p.

The directors feel justified in recommending an unchanged dividend because the basic underlying strengths of the group have been reinforced by a total redesign of the product range, and they remain confident of the medium and long-term future. They add that priority will be given to utilisation of group resources in continuing to expand activities in southern England.

There was an extraordinary debit of £4.1m (nil) for the period representing an additional tax charge in respect of stock relief previously claimed, but which has now been disallowed.

After this charge, and dividends of £13.5m (same), there was a loss of £16.3m. This is compared with a retained balance of £15.5m.

Belhaven in talks with Bateman

BY CHARLES BATCHELOR

Belhaven Brewery, the Scottish company headed by Mr Nazmu Virani, is engaged in talks which could lead to the purchase of George Bateman & Son, the Lincolnshire brewer.

The purchase of Bateman would give Belhaven a brewery in the South as well as a network of pub outlets. Bateman has a brewery just outside Skegness and 90 pubs in Lincolnshire and the surrounding counties.

It emerged last week that talks between Bateman and Midsummer Inns, the real ale pub chain, had been broken off despite an agreement in principle reached earlier this month for Midsummer to acquire Bateman.

Bateman first invited offers for its business in early August, but negotiations since then have been delayed because of a disagreement between Mr George Bateman, the chairman, and his two fellow shareholders, his brother John, and sister Helen.

The two men own 40 per cent of the company each, while their sister controls the remaining 20 per cent through a trust.

Bateman made a pre-tax profit of £81,000 on turnover of £4.7m in the year ended January 1984. Its assets are valued at about £1.5m.

Belhaven has expanded rapidly since Mr Virani became chairman in March 1984, buying 125 Bottle and Basket off-licences from Grand Metropolitan and a further 21 off-licences from Courage.

It has taken sizeable stakes in a number of hotel and brewing groups, though some of these shares have later been sold. In July, it took a 6.2 per cent stake in the Llanelli-based Buckley's Brewery.

Fairbriar issue to raise £2.5m

BY TERRY POVEY

Fairbriar has made a virtue of building the kind of homes, with fire places and regency columns, on which the discerning buyer in the South East is keen. So Hill Samuel is hoping for a good response to the offer for sale of almost 5m shares in the Epsom-based company at 120p on October 1.

Turnover has risen steadily for Fairbriar, from £1.78m in the year to March 1981 to £7.38m this year. The offer involves 28 per cent of the company's capital and values it at £21.24m.

Fairbriar previously formed part of the Starwest group of companies owned by Mr Remo Dipre and his wife. Of the shares being offered, 2.3m belong to the Dipres and the rest are new shares. The remaining 72 per cent of the company is owned by them and they have undertaken not to sell any more shares for at least a year after the listing, which is expected to begin on October 8.

Of the £2.5m proceeds, £1.9m will be used to reduce indebtedness—gearing on a pro-forma basis is about 65 per cent of net tangible assets—and the rest to boost working capital.

For the year to March 1986 the company expects to recommend a total dividend of 2.75p.

The brokers to the issue are Capel-Cure Myers.

LADBROKE INDEX
983-987 (−13)
Based on FT Index
Tel: 01-427 4411

BOARD MEETINGS

TODAY

Interims: Associated Book Publishers, BETEC, Bank of Scotland, Bristol Oil and Minerals, Brown and Jackson, Clarke Nickolls and Coombs, Finlay Packaging, Fleming Universal Investment Trust, Juliana's McLaughlin and Harvey, Rio Tinto-Zinc, Tharsis, Tilbury, Wold.

Finals: S. Casket, RMC, Raine Industries, H. Young.

FUTURE DATES

Interims—	
British Dredging	Sept 30
Bronx Engineering	Sept 30
Elbar Industrial	Oct 1
Elswick-Hopper	Oct 10
English National Investment	Oct 22
Finlay (James)	Oct 3
Fortnum and Mason	Oct 10
London and Contl. Advertising	Oct 8
London and Edinburgh Trust	Oct 7
London and Manchester Trust	Oct 4
Lyle Shipping	Oct 4
M.Y. Dart	Oct 1
North British Canadian Inv.	Oct 4
Prince of Wales Hotels	Oct 19
Tootal	Oct 2
Triefus	Oct 1
W.W.	Sept 28
Wills Group	Sept 30
Finals—	
Amstrad Consumer Electronics	Oct 2
Bailey (Ben) Construction	Oct 4
Beckman (A.)	Oct 2
Checkpoint Europe	Sept 27
Control Securities	Sept 30
Elders IXL	Sept 27
Halstead (James)	Oct 4
Home Farm Products	Oct 3
Logica	Oct 1
London Securities	Sept 27
McKechnie Bros.	Oct 23
Scottish Metropolitan Propy.	Oct 18
Strong and Fisher	Oct 1

COMPANY NEWS IN BRIEF

PENTOS has agreed to sell the Akerman and Jeavons and Gummers business of Messengers (Birmingham) to a new company A. & J. Gummers. The initial payment is £120,000 cash and payments relating to the amount of stock and work in progress. The total should be more than £250,000.

DAVENPORT KNITWEAR reports turnover of £2.75m (£2.71m) for the first half of 1985, and trading profit £231,000 (£237,000). Including investment income £170,000 (£112,000) group profit is £343,000 (£288,000) subject to tax £146,000 (£137,000). Directors say trading profit for the year cannot be predicted accurately.

SUNLEIGH ELECTRONICS' pre-tax profits dropped to £94,000 (£113,000) for the six months to June 30, 1985. Turnover of this USM company was £1.01m (£997,000). Tax took £38,000 (£46,000) and earnings per 10p share were 0.25p (0.29p). An extraordinary credit of £5,000 (nil) was profit on the sales of a freehold property.

BLUEBIRD TOYS raised turnover to £2.2m (£1.35m) and pre-tax profits to £88,000 (£9,000) in the six months to June 30, 1985. As indicated in the company's USM flotation last January more than half the turnover and almost all of profits are made in the second half. Orders to date are well ahead of last year's total sales. Half year earnings per 10p shares amounted to 0.84p (0.08p) — prospectus indicated dividend of 3.15p net for year.

WILLIS FABER has acquired Gerrard Thorpe & Partners, a Birmingham based insurance broker. The operations of Thorpe will be integrated into those of the Birmingham branch under the overall responsibility of Tony Pollard, senior branch director.

YEARLING BONDS: The interest rate for this week's issue is 10 13/16 per cent, down ¼ of a percentage point from last week and compares with 11 1/16 per cent a year ago. The bonds are issued at par and are redeemable on October 1, 1986. A full list of issues will be published in tomorrow's edition.

ALBANY INVESTMENT Trust has increased total income from £131,606 to £160,142 in half-year ended August 30, 1985, but says rate of growth will not necessarily be maintained in the second half. After tax £45,684 (£37,210) net profit £106,595 (£86,825) for earnings of 2.13p (1.73p). Interim dividend increased to 1p (0.8p) net but does not indicate a rise in the final. Net asset value per share 111.21p (112.92p at February 28).

MURRAY GROWTH TRUST has reached agreement, subject to final verification by the auditors of Merchant Navy Officers Pensions Investment, as to a 120.42p net aset value attributable to each Murray Growth ordinary and B ordinary share as at September 4, 1985, when the ordinary offer was declared unconditional. The offers are not yet wholly unconditional.

JOHNSON AND Firth Brown still has a deficiency of distributable reserves and the board is unable to recommend a resumption in the payment of the preference dividend, which is next due on September 30, 1985.

WINGATE PROPERTY Investments raised pre-tax profits from £377,000 to £409,000 in the six months to June 30, 1985. The £6.2m cash from the sale of Campderdown House, in London, contributed to a reduced interest charge and this benefit should continue. Earnings rose to 2.9p (1.94p) and the interim dividend is lifted to 0.55p (0.5p) net. The year-end is being changed to December 24. The cdmpany's 25p shares are traded on the USM.

HELENE OF LONDON has exchanged conditional contracts to acquire Peter Barron (Models). Consideration is 3m, 10p Ordinary (which Helene has undertaken to place on behalf of the vendors) together with an additional cash condsideration if profits for the five years ended December 31, 1990 exceed certain levels. Net tangible assets of Peter Barron at June 30, 1985 were £670,000 and pre-tax profits for that year amounted to £219,000.

UK COMPANY NEWS

Steetley rises to £16.5m despite downturn in UK

DESPITE a downturn in the UK, the Steetley group has pushed up its first half profit from £15.73m to £16.52m and is lifting the interim dividend from 4.5p to 5p net.

In the UK the operating profit fell from £15.12m to £13.99m but chairman Mr. David Donne says in the circumstances this is a most creditable performance.

All divisions continue to trade strongly and he is confident of a satisfactory result for 1985. Last year the pre-tax profit came to £32.7m and the dividend total was 12p.

In North America the operating profit rose from £2.1m to £3.95m, the minerals operation showing improved performances in all sections. Actions taken to restructure the distribution business in Canada are beginning to show results.

Western Europe produced an improvement from £207,000 to £530,000 following better results from the French construction materials business. The Middle East contribution fell to £267,000 (£568,000).

The pre-tax profit for the half year would have been £450,000 lower had exchange rates ruling on June 30 been used. The rates used in conversion are those adopted in the 1984 accounts.

Mr Donne says construction activities in the UK were adversely affected by the bad weather in the first two months.

Mr David Donne, chairman of Steetley

And additional energy costs resulting from the miners' strike continued to affect the refractory and brick businesses. The property side made a useful contribution from the continuing development of surplus group sites.

The new £12m brick plant at Parkhouse has been commissioned and will contribute to profits in the second half.

Group turnover in the first half of 1985 came to £208m (£209m).

● comment

Apart from a few red faces among the analysts there were few surprises in Steetley's interim results. In the UK the harsh winter conditions saw a fall in demand but the impact of this was partly mitigated by some £1m in property sales (in the same period in 1984 there was very little contribution from this area). In the second half the new 50m bricks-a-year Parkhouse plant will be contributing for the first time and margins on its products are said to be "interesting." Certainly 50 people producing 1m bricks each sounds promising. One area of major improvement has been North America where the Canadian electrical and industrial equipment distribution business has finally made it into the black. In general terms the UK market for Steetley's aggregates remains flat with competition for new quaries getting tougher—and environmental considerations weighing more heavily. The second half should see the benefits of cheaper NCB supplied fuel (in the first half about £1m extra was spent on imported solid fuel) and Parkhouse and pre-tax profits are seen as reaching £36m. The shares at 337p, down 9p, seem well up with developments on a prospective p/e of 10 given a 40 per cent tax charge.

Training boost for Park Place

SECOND half pre-tax profits of Park Place Investments, holding company with interests in training, publishing, instalment credit and contract services, were boosted from £813,000 to £1.56m and pushed the full year outturn to £2.58m, compared with £975,000 previously.

Apart from the instalment credit division, all sectors had increases with training being the highlight of the period. Profits here surged from £139,000 to £1.53m during the 12 months ended June 30 last.

Mr Mervyn Frankel, chairman, says it is encouraging to see the group back on the road of steady and substantial growth after the setback of 1983/84.

He tells shareholders that there is every reason to believe that 1986 will be another record year with each of the trading divisions set for further growth and adds: "We exepect a further material advance in profits."

The chairman points out that it is still the directors' plan to float off the instalment credit division as a separately quoted company which will be effected once the division is considered to be sufficiently strong financially.

After tax of £829,000, against £258,000, earnings per 10p share are given as 14p (5.8p) and the dividend total is lifted to 6.25p (4.75p) net with a final distribution of 4p.

A divisional split of both turnover — £20.61m (£16.62m) — and pre-tax profits shows: training £8.96m (£7.31m) and £1.53m (£139,000); publishing £4.02m (£3.42m) and £650,000 (£485,000); instalment credit £2.32m (£1.98m) and £542,000 (£566,000); contract services £5.23m (£3.84m) and £317,000 (£229,000). Head office, central services and interest £86,000 (£69,000) and £455,000 costs (£444,000 costs).

In the training division, demand for chartered accountancy courses remains buoyant.

First Castle advances to £1.5m

A MARKED improvement in turnover, profits and dividend is announced by First Castle Electronics in the six months to July 31, 1985.

Turnover is up from £8.41m to £11.46m, an increase of 36.4 per cent, pre-tax profits from £1.1m to £1.45m, a rise of 31.9 per cent, and the interim dividend is raised from 0.847p to 0.93p per share on the capital enlarged by last January's rights issue.

Tax takes £36,000 (£87,100), leaving net attributable profits of £1.42m (£1.01m) and earnings per share of 5.7p (5.18p adjusted).

Mr L. J. Connor, chairman, says the divisionalisation of activities he announced earlier this year has enabled the company to shorten lines of communication and to improve the effectiveness of management. He adds that although in the current industrial climate the performance of the various operating units within the group had been more variable, the new structure had enabled First Castle to concentrate management resources where they were required.

Within the specialist technology group, Centronic has secured a major order from the MoD for the helicopter weapon simulation system known as ATLAS. The order, obtained in the face of fierce competition, further expands the weapons simulation product range.

Centronic is currently negotiating for several major contracts but the timing of the conclusion to these negotiations is not yet determinable.

Mr Connor says that consruction work is now well advanced on the new solid state factory at the Centronic site. Commissioning should commence late this year with production coming on stream early in 1986.

Market penetration by Compuser, the monitor company, has been disappointing but Centronic Inc has continued to expand rapidly and the new activity, as a contractor to the U.S. Depart-made in this division. promise.

Profits follow AEC changes

FOLLOWING a change of both name and direction American Electronic Components reported pre-tax profits for the six months to the end of June 1985 of £715,000. That was from turnover of £2.04m, which arose in the period from April 17 when the company acquired Durakool, the U.S. based maker and supplier of switch and relay mechanisms.

Under its previous name of American Oil Field Systems, the USM-quoted company made a taxable loss in 1984 of £3.48m.

At the time of the flotation in April, AEC forecast full year profits for Durakool of $4.1m. It achieved $4.14m.

The tax charge was £29,098, leaving earnings per 20p share at 1.3p basic and 1.5p adjusted. No dividend will be paid for the period but the directors forecast a total payment of 0.875 net for the year to June 30, 1986.

Readymix better

Some recovery in ready mixed concrete margins and the continual trimming of overheads and costs have enabled Readymix of the Republic of Ireland to reduce its first-half loss from I£476,000 to I£123,000, equal to some £98,000.

Volumes, however, remained depressed. This applied particularly to quarrying operations where low demand for road materials severely cut the level of stone sales.

As to the short-term prospects in the construction industry the directors say these are not encouraging, and the management is currently looking at further measures to reduce costs and restore profitability. The group has been in the red for the last three years, the cumulative pre-tax losses approaching the £2m mark.

The company is a subsidiary of Readymix Holdings, in turn a part of the RMC Group.

Boase halfway profit nears £1.5m

THE ENLARGED advertising agency group Boase Massimi Pollitt has produced a pre-tax profit of £1.48m in the half year ended June 30, 1985, on a turnover of £34.19m. The group is performing well, with all member companies fulfilling expectations, the directors state.

They say the profile of both Boase Massimi Pollitt Partnership's and Marketing Solutions' business this year is biased to the second half, so the figures do not reflect the likely pattern of the full year's performance.

This is the first time that figures from Marketing Solutions have been included. Turnover and profits of BMP for the first half of 1984 came to £28.43m and £1.06m respectively. The interim dividend is raised from 1.25p to 1.5p net.

On detailed investigation the situation at Marketing Solutions in the U.S. was found to be unsatisfactory and the operation was closed in April. However, the group has been able to capitalise on that company's investment and has started a wholly owned subsidiary in New York.

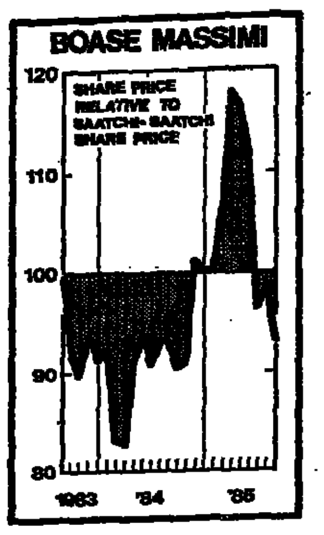
On prospects, the directors say the three new ventures started in the period are set to contribute to profits in 1986. The ventures were set up as part of the strategy to build long-term profits. BMP Business Communications and Angotti Thomas Hedge are already generating significant billings and the newest entity, Davis Wilkins, a mainstream consumer advertising agency, has made a promising start.

With the overall growth of the UK advertising industry slowing in the first half of 1985, the BMP group has already started to reap the benefits of a spread of marketing service activities, and the directors look forward to a successful full year.

After tax £654,000 the net profit for the half year came to £823,000 for earnings of 6.6p per share.

● comment

The market was expecting something rather higher than £1.5m from Boase Massimi, and, choosing not to be reassured by a fairly optimistic statement, marked the shares down 15p to 335p. It appears that the business has become more seasonal, and that some of the shortfall will be made up in the second half. Television advertising, depressed at the start of the year, is now rising strongly again. Important new clients have been added to the list since the end of the first half, while two major projects due in the first half were postponed until later in the year. Furthermore, Marketing Solutions, whose results are included for the first time, carries out a large amount of government work and its profits are skewed towards the second half. Even so the total for the year may fail short of earlier City expectations, as the company bears start up costs on its three new ventures, and as it recovers from the loss of one of its largest clients, Argyll Group. This loss just might prove to be a blessing if Boase succeeds in getting the Asda business it is currently pitching for. Failing that, however, the shares look fully valued on a p/e of 19 assuming profits of £3.9m on a 42 per cent tax charge.



Electronic Data raising £1m with USM placing

BY RICHARD TOMKINS

Electronic Data Processing, a Sheffield-based computer company employing 110, is coming to the unlisted securities market with a placing of 1.9m shares of 5p each at 75p a share, through brokers Henry Cooke Lumsden.

The issue represents 29.5 per cent of the enlarged share capital and will raise about £1m net for the company. EDP's market capitalisation at the placing price is £4.9m.

EDP was set up as a computer bureau by a group of Sheffield businessmen in 1965. In 1972 the board decided that stronger growth prospects lay in providing business customers with a more sophisticated on-line bureau service and ultimately in the sale of complete in-house minicomputer systems.

Mr Michael Neller, the present non-executive chairman, recruited Mr Richard Jowitt, the present managing director and chief executive, to lead the company's development.

EDP is now a broadly-based computer company operating five divisions. Its main activity is distribution in the UK, Europe and the Middle East of the Mentor family of minicomputers under an agreement with ADDS, a U.S. computer products manufacturer which is a wholly-owned subsidiary of NCR.

Since its appointment as a distributor in 1981 it has sold some 325 Mentor systems to commercial, industrial and governmental organisations. About 75 per cent of sales are made through EDP's 20 authorised dealers, and the rest by EDP itself.

EDP's other activities are maintenance and engineering, the development of software products, the bureau operations, and a training and education division.

The company says the market for the types of computer systems it supplies has been independently estimated at 10,500 units worth £360m in the UK alone this year and for 16,000 units worth £560m in 1987. The directors are confident that EDP and its dealers will be able to increase their penetration of this growing market.

EDP intends to use he £1m raised to expand its dealer network in Europe; to finance the relocation of its education and training centre, engineering cenre and technical support functions to Northampton; to fund further softwere development; and to provide working capital to support the company's growth.

EDP's turnover in the year to September 30, 1984, was £3m against £2.4m the year before and pre-tax profits rose to £331,000 from £103,000.

In the six months to March 31 this year EDP made pre-tax profits of £310,000. It is forecasting a figure for he full year of at least £585,000, putting the shares at the placing price of 75p on a prospective p/e ratio of 11 after a 44 per cent tax charge.

All-round progress lifts Watmoughs by 12%

Watmoughs (Holdings), colour printer, publisher and process engraver, achieved a 12 per cent rise to £874,000 in taxable profits for the six months to June 30 1985.

Turnover increased by 14 per cent from £12.2m to £13.91m with all subsidiary companies contributing to the advance.

The interim dividend is 1.7p per share (1.7p) on the capital increased by the one-for-four rights issue in March. After tax of £157,000 (£141,000) the net profit was £717,000 (£641,000) and earnings per share were 7.07p (6.93p).

Demand for the group's specialist gravure and web offset printing capacities was maintained throughout the period with sales of quality colour literature for mail-order, cosmetic, leisure and publishing clients continuing at a high level. Good progress was also achieved in the security printing and packaging interests, the directors state.

The contract for the printing of You Magazine was originally to commence with the issued dated November 3 1985. However, an earlier opportunity arose for Watmoughs to commence printing from the issue dated August 18 1985.

Mr P. G. Walker, the chairman, however, reiterates that full benegts fro mthe You contract will not materialise until 1986.

In particular, revenue from the You contract for the second half of the year will bear the full cost of recruitment and training of additional staff in advancement of the commencement of the contract.

MACALLAN-GLENLIVET, the whisky distiller, made lower pre-tax profits of £202,000 (£336,000) in the first half of 1985, which reflected high interest rates and the decision to withhold stocks from the mature whisky market. Interest charges rose to £398,000 (£256,000). Turnover was unchanged at £2.21m. The interim dividend is 1p (same) net. The directors expect 1985 profits will be in line with the £550,000 forecast at the time of the rights issue.

Scott & Robertson profit down as margins fall

Scott & Robertson, manufacturer of packaging products and fabrics, reveals a fall in taxable profits from £556,000 to £402,000 for the six months ended June 30 1985. The interim dividend is maintained at 0.9p, however, last year's final being 1.6p.

Turnover moved ahead slightly from £9.76m to £9.81m.

Although the directors anticipated that the level of profit would be affected by the move of subsidiary, Anaplast, to a new factory, and the relocation and installation of plant at both Ardeer and Greenock, midterm figures were further adversely affected by certain operating factors outside the company's control which combined to lower margins.

The trading conditions encountered by Thomas Boag were the most difficult, directors say, for several years and its contribution was less than expected. The other two subsidiaries, Plasti-Covers, and Trevor Jones in particular, traded satisfactorily.

The directors add that profit margins improved in the third quarter and both production and sales are currently increasing.

In May the directors pointed out to shareholders that the move from Irvine to the new factory at Ardeer disrupted output and the prolonged delay in satisfactory delivery of new plant from West Germany proved to be more costly than anticipated.

And they said that suppliers of polymer had been applying price increases, which rendered it impossible to recover those increases on orders for polythene products. These problems would have an effect on first half results, directors stated.

F.T. CROSSWORD PUZZLE No. 5,830

ACROSS

1 Leave waste (6)
4 Goes from point to point with the takings (8)
9 Fights for left-overs (6)
10 In ordinary language a border flower (8)
12 Star shedding tears at ski-resort . . . (8)
13 . . . as unfinished episode hung in the balance (6)
15 Framework holding bells or silver in church (4)
16 *Food to squander piecemeal* (7)
20 They are held to have concealed difficulties (7)
21 Company way out on tax (4)
25 Box with skill without having to cheat (6)
26 Game for scientific crowd (8)
28 Rate-assessment certain to be placed on store (8)
29 A certain amount of pressure for malefactor to abandon evil ways (6)
30 Leading light in a cape (8)
31 Ship's officer's crafty ruse to bring about proportional representation (6)

DOWN

1 Side can't run far away (8)
2 Straggler having to get back in by artifice (8)
3 Rumour about left (6)
5 Most unusual to see king over-age (4)
6 Made music that soothed? (8)
7 He thinks of self when it goes off (6)
8 Stable uniform (6)
11 Drunken sot getting wealthy bird (7)
14 Extend prison sentence (7)
17 Song about America at drinking-party (8) (8)
18 Blackleg gets proof of debt *to plant (8)*
19 Pennon on ship carrying royal head (8)
22 Cripple through drink (6)
23 Dire result of footballers going out with woman (6)
24 Boat-club taking the water (6)
27 Their only part in club (4)

SOLUTION TO PUZZLE NO 5,829

HOOLIGAN SCRIPT
TALISMAN CLOSER
ENGINEERS NICKS
WARY DIAGRAM
MINSTER CREW
ONION CONSTABLE
THESIS MANIFEST
LATENT INSERTED

APPOINTMENTS

Changes at Dowty

Sir Robert Hunt, chairman of the DOWTY GROUP, retires on May 31, 1986. Viscount Sandon joins the board on January 1, 1986, as a non-executive director and as chairman-elect. He will become non-executive chairman on June 1, 1986. Lord Sandon is a deputy chairman of the National Westminster Bank. Mr R. E. J. Roberts will become a non-executive deputy chairman of the group from January 1, 1986. He is group managing director of Guest, Keen and Nettlefolds.

★

Mr Michael Williams has been appointed director general of the British Health-Care Export Council (BHEC) from October 1. He will succeed Mr David Pollington who is joining Mediscus Products, part of the Linguard Group.

★

Mr Paul Curtis is to join the main board of INTERNATIONAL DISTILLERS AND VINTNERS, as an executive director. He will be assuming responsibility for the group marketing function and also its overseas subsidiaries based in France, Germany and the Netherlands. Mr Curtis comes from the Mars Confectionery Group where he was marketing director. He will replace Mr Patrick Copeland on IDV's board. Mr Copeland was appointed earlier this year as general manager of Cinzano *International*.

★

Dr George Mathewson has been reappointed chief executive of the SCOTTISH DEVELOPMENT AGENCY for a further five years from February 1.

★

Lloyds Bank retail banking restructured

LLOYDS BANK has made changes to its UK retail banking management structure, under its director, Mr John Dawson. Mr Norman Parker is appointed senior general manager, with responsibility for branch banking matters in the north and east, and in Scotland, and for the development of technology-based customer services and for administration. Mr John Davies, general manager for the Midlands and South Wales, has special responsibility for corporate market planning and development. Mr Gerry Solomon, general manager for the London area, has similar responsibility for the personal market, as has Mr Peter Leech, general manager for the south, for the agricultural market. Mr Ken Plummer is general manager of trust division, which will be renamed financial services and trust division from January 1, 1986. Mr Stephen Maran remains managing director, Lloyds Bowmaker, and Mr Roy Mercer remains general manager, Black Horse Agencies.

★

Mr Michael Bealing is relinquishing the managing directorship of VICON at the end of November. He will remain on the board as a non-executive director. 25 years after starting Vicon in the UK, he wishes to have more time to devote to his other interests. His successor from December 1, is Mr Peter Smith, who has been sales director for the past 8 years.

★

ORGANISED OFFICE DESIGNS has appointed Mr Michael Russell as finance director. He joined OOD in 1968. He is also company secretary and director responsible for space planning consultancy.

★

Mr MICK NEWMARCH

Mr Mick Newmarch has been appointed a director of PRUDENTIAL CORPORATION. He is chief executive of Prudential Portfolio Managers, investment management arm of Prudential Corporation.

★

Mr Fred Clarke, former director and general manager (marketing and services) of IBM UK and for the last three years chairman of Royal Ordnance, has joined WASP SOFTWARE as chairman.

★

PEAT MARWICK has appointed the following partners, from October 1: Mr James Nelson (Glasgow); Mr William Bowman (Aberdeen); and Mr Mark Hopton (Birmingham).

★

Mr J. R. Anthony Nottingham, a member of the Stock Exchange, has joined the Truro office of VIVIAN, GRAY & CO., with offices in the City of London, Cheltenham, Helston, Hereford.

★

LAPORTE INDUSTRIES (HOLDINGS) has appointed Mr O. Lane Renfroe as vice-president, Laporte America - Wood Chemicals. Mr S. B. Ainscough, general manager of the Interox UK Business Group at Warrington, is appointed president, Chemical Specialities, Valdosta, Georgia. Mr D. Heathcote, general manager of Laporte Fluorides and Minerals, is appointed general manager of the Interox UK Business Group. Mr M. E. G. St Amour, deputy general manager of Laporte Fluorides and Minerals, is appointed general manager for this business group. All these appointments are from October 1.

★

CORRECTION NOTICE

We have been asked to point out that Mr Robert Kelly has been appointed chief executive of BAXTER HOARE; and Mr John von Spreckelsen remains chief executive and managing director of Bowater Freight Services.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	112.5	119.1	−0.2	10.08
High Inc Equity	73.0	77.6		6.38
Worldwide Bond	147.0	157.4	+1.2	6.15
Capital Growth				
American Growth	125.5	133.5	+1.2	3.00
Asian Pacific	43.7	47.3	+0.5	2.64
Assets & Emgs. Tt.	78.0	83.4	−0.2	2.16
Capital Reserve	59.8	60.1	—	—
Commodity & Engy	67.5	73.0	+0.2	2.08
European Capital	52.0	55.3	+0.1	2.71
General	111.5	119.3	−0.2	3.56
Japan	142.4	153.1	+1.4	—
UK Growth Acc Units	106.0	114.0		—
UK Growth Dist	74.6	80.2		1.92
U.S. Emerging Co's	49.6	53.6	+0.7	0.49
Equitas Prog.	157.8	168.7	−0.4	3.90

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd.	96.0	102.7	+0.5	—
Pacific Fd	111.9	119.7	+0.7	0.20
Secured Income Fd	140.2	150.0		3.50
Special Sits	158.9	170.0		1.56
Energy Fd.	28.6	30.6	−0.2	0.40
American Majors	53.5	57.3	+0.3	1.56
Small Co's Fd (10for1)	29.6	31.6	+0.1	1.97
Jap. Technology	50.4	53.9	+0.4	0.10
International Income	50.0	53.4	+0.1	7.00
Exempt	439.5	470.6		—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Hutton, Brentwood, Essex Brentwood. (0277) 211459 & 229123

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	63.5	67.6	-0.1	3.28
Accum Units	93.9	99.9	-0.1	3.18
Pearl Inc.	89.2	94.9	+0.1	5.19
Pearl Unit Tst.	92.8	98.7	-0.2	4.26
(Accum. Units)	156.9	166.9	-0.3	4.26

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	182.7	196.1	-0.1	2.00
Income	141.5	151.5	-0.9	5.38
Worldwide Recovery	102.6	109.5	-0.3	2.81
American Growth	52.7	56.6	+0.4	1.11
Intl. Emerging Cos.	57.1	61.3	-0.1	0.76
Far East Growth Fd.	45.8	49.2	+0.7	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	101.0	108.2	+2.8	0.32
Prolific Extra Inc.	61.9	65.9	-0.2	6.02
Prolific Gilt Cap.	83.6	87.0	-0.2	3.09
Prolific High Inc.	134.3	142.9	-0.2	5.51
Prolific Intl.	80.7	86.5	+0.6	1.79
Prolific N. Amer.	108.8	116.6	+1.5	2.61
Prolific Spec. Sits	145.1	154.9	+0.1	1.65
Prolific Technology	94.5	101.3	+0.8	1.04

Providence Capital Fd. Mgrs. Ltd.

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$12.09	+0.5?	--

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$13.33	+0.25	--

Inv. Adv. M. & G. Inv. Mngt. Ltd., London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.22	+0.01	--
Dynamic Gwth Fd	$8.27	-0.03	--

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01 588 1815				
Deposit	11.30		--	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01 236 0952				
Call Fnd	11.54	8.43	12.81	6mth
7-day Fnd	11.46	8.57	12.73	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01 236 1425				
Call Fnd	11.61	8.48	12.47	6-Mth
7-day Fund	11.42	8.54	12.57	6-Mth
Dollar				6-Mth
Money Mngr Acct	11.00	8.23	12.23	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8464				
Full Service Chr Acc	11.25	8.00	11.93	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01 638 6070				
Treasury Acc	11.25	8.41	12.58	Qtr
Mth. Inc. Chq.	11.125	8.35	12.56	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.33	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL 01-588 2777				

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Debenhams	32	**Property**	
Distillers	36	Brit Land	14
FNFC	12	Cap Counties	20
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
"Imps"	26	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Dialogue of the deaf at Farm Council

BY IVO DAWNAY IN LUXEMBOURG

IT WAS business as usual for the EEC's Farm Council yesterday. Refreshed from their summer holidays, the *ministers met for their first* discussions on the European Commission's controversial Green Paper (discussion document) on the future of the Common Agricultural Policy.

Unanimously they agreed that *something needed* to be done. But to a man, they disagreed as to what it should *be.*

Indeed, though the informal meeting took place harmoniously, the sheer range of divergent opinions was remarkable even by the Common Market's generous standards.

Mr Frans Andriessen, the Farm Commissioner, began the proceedings by warning *once again of the scale of the* surpluses and the need for urgent action. He pointed out *that,* when *all products* are taken together, community output outstrips supply by between 15 to 20 per cent, and disposal costs are rising.

M Henri Nallet, the French *minister, told his colleagues* that while the reforming Green Paper might be broadly welcomed, it should not be treated as "a holy book." Farming was not like indsurty as its basic unit—the family farm—was not strong enough to allow laissez-faire policies to work.

Mr Michael Jopling, his *British counterpart, argued* conversely that the classical laws of supply and demand, fuelled by restrictive pressure on products prices, must be the main mechanism for reform. And he opposed the prospect of a co-responsibility levy on cereals farms, favoured by many of his colleagues.

Both these British positions were rejected by Herr Ignaz Kiechle, the German minister. *The role of the CAP was as a* social support, he argued, and economic forces should play second fiddle to maintaining farmers' incomes.

To this, Mr Andriessen replied that both *functions* should apply a sensible compromise position from which *will stem the inevitable dis*putes over exactly how this should be brought about.

But the ministers did find one area of agreement — that budgetary discipline provisions restricting farm spending should not neces*sarily be rigidly imposed in* future. However, it is unclear whether Mr Jopling was in *the room at the time of this* discussion as he is usually a strong supporter of such restraints.

Certainly, the EEC budget ministers will disagree with their farming colleagues.

Perhaps the greatest novelty yesterday *was* the forthright presence of Sr Alvaro Barreto, the *Portuguese minister. He told* the farm council that he was totally behind the Green Paper but felt obliged to add the small point that none of its restrictions should apply *to Portugal as her high priced* food made the country a special case.

Sr *Barreto is clearly* learning the ways of the EEC fast.

Almost inevitably Mr Austin Deasy, the Irish minister, then chipped in that Ireland's uniquely problematic farm sector meant it too would *have to be an exception.*

At that the council session closed amid promises to dis*cuss it all again, probably* until Christmas.

The ministers were then whisked off to the Luxembourgois wine growing town of Echternach—perhaps their spiritual home. Echternach's annual civic celebrations in*volve her citizens marching* through the streets in the town's unique three steps *forward, two steps back,* procession. It takes all day.

EEC court backs sugar trader over loss of £1.67m deposit

BY IVO DAWNAY IN LUXEMBOURG

A RULING announced yesterday by the European Court should ensure the return by Brussels of a £1.67m deposit forfeited by a London sugar trader after a secretarial oversight.

The money had been lodged as a security with an EEC Intervention (market management) Board by E. D. & F. Man (Sugar) in July 1983 as a *routine procedure after its* tenders, representing 30,000 tonnes of sugar for export, had been accepted.

Under Community provisions, the company was then required to apply for export licences by telex within four working days. But when the appropriate telex arrived, it had missed the midday deadline by nearly four hours and the £1.67m security was lost.

In its submission to the court, Man claimed that the oversight occurred because an employee was sick and her temporary replacement was overwhelmed with work. It contended that forfeiture of the security was "grossly unfair" and breached the principle that the penalty should be in proportion to the offence.

Lawyers for the European Commission argued that the late dispatch of the telex breached Community regulations and could not be exempted under *force majeure* provi*sions.*

Application for export licences within the time limit was a necessary primary obligation for the proper management of the market.

But the Court found that the *essential primary aim of* the regulation was to ensure that exports were carried out and that forfeiture of the entire deposit must be considered "too drastic" a penalty for failure to meet the deadline.

It therefore ruled that the regulation used by the Commission to enforce forfeiture of the deposit was invalid. Man now seems certain to win its action in the UK's High Court for repayment of the money.

● Surgar workers from Clydeside in Scotland lobbied a conference of European and Third World parliamentarians in Inverness yesterday against British Sugar's application for a larger EEC production quota.

Mr John Jackson, shop steward convenor at the Tate and Lyle refinery in Greenock, *said that if British Sugar Corp* is allowed by EEC Ministers to boost sugar beet production, the plant—which relies on imported cane sugar—may have to close with the loss of more than 300 jobs.

U.S. quota cut sparks anger in Caribbean

By Tony Cozier in Bridgetown

SUGAR PRODUCING countries in the Caribbean have reacted sharply to the recently-announced reduction in their U.S. sugar import quotas.

Mr Harold Davis, the chairman of the Caribbean Community sugar producers' association, said the reduction in the Caricom quota from 134,420 *tonnes for 1984-85 to* 95,864 tonnes for 1985-86 deals "a further blow to developing countries depending on sugar exports for a large part of their foreign exchange earnings."

He estimated that it would amount to a loss of about $10m *for Caricom producers*—Barbados, Belize, Guyana, Jamaica, Trinidad and Tobago and St Kitts-Nevis.

"The severe impact of these sugar quota cuts on Caricom countries and, indeed, on all Caribbean Basin Initiative *(CBI) sugar exporters,* goes a long way to undermine any good that the CBI might do and seriously contradicts the U.S.'s declared objective of making a special effort to help developing countries in the region," he said.

The U.S. Department of Agriculture announced 10 days ago that it was cutting the 1986 import quota to 1.72m short tons from 2.4m in 1985.

This was a smaller reduction than expected, and was seen at the time as an effort to appease *Caribbean and Latin American* sugar producers.

The move has also provoked uproar among U.S. sugar growers, since the amount of sugar available in the country next year will be well in excess of demand, and this is bring*ing pressure to bear on domes*tic sugar prices.

Further Indian imports expected

BY P. C. MAHANTI IN CALCUTTA

INDIA WILL be importing a further 1m tonnes of sugar over the next few months through its state Trading Corporation, *according to reports in the* financial Press. The country has already imported 1m tonnes of sugar this year.

Sugar imports on a large scale have become necessary firstly because of a lower expected output this season and secondly *because of a rapid* rate of increase in consumption by the country's growing population.

According to the Indian Sugar Mills Association internal consumption of the commodity, which was 7.57m tonnes in 1983-84, *is likely to touch* a record figure of 8.2m tonnes during the current season, which is about to end. The offtake may rise further to 9m tonnes in the next season

The current season's production may just touch 7m tonnes. The Association is unhappy, however,, that the Government, instead of taking steps to boost domestic production, is resorting to what it claims are unnecessarily liberal imports. The world sugar market may be weak at the moment, it says, but this situation will not continue for long, especially when it becomes known that countries *like India are planning large* sugar imports.

Tin consumers likely to turn down cash plea

By Andrew Gowers

TIN PRODUCING countries are likely to press consumers today to join them in making a voluntary cash contribution to the International Tin Council's hard-pressed buffer stock—but almost certainly in vain.

The producers agreed at a meeting in Canberra earlier this month to ask member governments for a "significant and effective" contribution to the Council, which operates the tin market's price support system.

Council officials stressed yesterday that they were not calling for extra funds. But producers are expected to raise the issue in the corridors of the meeting this week.

● On the London Metal Exchange, tin came under heavy selling pressure yesterday, taking prices to their lowest level in 17 months.

Cash standard metal dropped £197.50 on the day to an unofficial close of £8,725 a tonne.

Malaysia and Indonesia meet on export conflict

BY KIERAN COOKE AND WONG SULONG

THE MALAYSIAN Minister of Primary Industries, Datuk Paul Leong, yesterday wound up two days of talks in Jakarta aimed at easing conflicts between Malaysia and Indonesia over the export of key commodities.

In a meeting with Rachmat Saleh, the Indonesian Trade Minister, on Monday, Datuk Leong expressed concern about Indonesian commodity exports—often claimed to be a threat to Malaysia's exports of rubber, palm oil and tin. But he *expressed the hope* that "solutions" could be found.

There have been bitter allegations by Malaysian producers of Indonesian price-cutting. However, Datuk Leong himself has said that plantation companies must work to meet what he calls *the Indonesian challenge;* he says that productivity must be increased and costs reduced.

Indonesia is felt to have big advantages over Malaysia in the export of many commodities due to cheaper labour costs and the availability of large tracts of undeveloped land. The Indonesian government has also instituted a system of cheap credits of up to 180 days at six per cent for rubber exporters.

But while Indonesian rubber exports have been posing a growing problem to Malaysia, it is felt by many in Jakarta that fears of Indonesia flooding the market with large amounts of palm oil and thus threatening another vital Malaysian export commodity are unfounded. *While Indonesia's plans* for palm oil production are ambitious—the Government has set a production target of 2.5m tons by 1988—it is felt that even if plans are realised the needs of the domestic market of more than 160m people will rule out any big *exportable surplus.*

However, Malaysian fears were heightened by last week's purchase by India of what is believed to be 18,000 tons of Indonsian palm oil.

Gas shortage hits Polish grain crops

By Christopher Bobinski in Warsaw

A MARKED fall in Soviet supplies of natural gas to Poland in the first half of this *year has seriously hit produc*tion of nitrogen fertilisers and affected this year's results of the grain harvest, official figures published here suggest.

The situation has also led to a call from the Warsaw-based Dziennik Ludowy newspaper for additional imports of natural gas from Holland or Nigeria to supplement deliveries from the Soviet Union which at present is Poland's sole supplier.

Senior officials at the Agriculture Ministry have estimated *that this year's grain harvest* could have been 1.5m tonnes higher if not for the fertiliser *shortages in the winter* and early spring. As it is, the grain harvest should reach around 23m tonnes this year.

Platinum and palladium outlook 'promising'

BY JOHN WICKS IN ZURICH

THE FUTURE of the platinum *and palladium markets is* "promising," according to a study published by Credit Suisse. The Zurich-based bank forecasts that demand will grow at a faster rate than supply for both metals.

In the case of platinum, the *report says demand should* exceed supply by about 500 kilos this year following a 4-tonne supply surplus in 1984. For 1986 the demand surplus is expected to rise to as much as 6.9 tonnes.

With regard to supplies, Credit Suisse points out that South African producers are working close to full capacity and will not be able to carry out any major expansion for *some years to come.* Soviet supplies have fallen back in recent years, due partly to what the bank sees as increased strategic requirements on the home market and a certain replacement of platinum exports by those of palladium.

In *all,* platinum supply is seen as growing slowly from 85.5 tonnes last year to an esti*mated* 86 tonnes in 1985 and 88 tonnes next year, the result solely of small increases in South African sales.

Demand is expected to rise sharply, from 81.5 tonnes in 1984 to some 86.5 tonnes this year and 94.9 tonnes in 1986, *a major share of sales going* to Japan and North America, with estimated 1986 consumption of 41 and 29 tonnes, respectively.

On the palladium market, Credit Suisse draws attention to a 36 per cent growth in Soviet exports since 1980. These *are seen as rising from* 52.6 tonnes in 1984 to 55 tonnes this and 57 tonnes next year. Together with a gradual increase *in South African supplies—to a* 1986 level of 32 tonnes—this will bring world supply up to around 100 tonnes.

At the same time, world demand is put at some 108 tonnes next year, compared with an *estimated 101* tonnes this year and 96.4 tonnes in 1984. Major markets are again Japan, with a forecast 1986 total of 49 tonnes, and North America, with a probable 33 tonnes.

Demand patterns for both metals are considered positive, in view both of general favourable business conditions and the likelihood that there will be no further drop in inflation. While the expansion of U.S. strategic platinum and palladium reserves is said to be delayed, Credit Suisse looks for increasing needs on the part of investors and high-technology industry.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market. 99.6 per cent, $ per tonne, in warehouse, 2,770-2,850.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.35-4.40.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.74-0.79, sticks, 0.81-0.85.

COBALT: European free market, 99.5 per cent, $ per lb, *in warehouse, 11.10-11.30.*

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 283-294.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.85-2.95.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 7.25-7.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO, cif, 65-71.

VANADIUM: European Free *market, min.* 98 per cent V O, other sources, $ per lb V O, cif, 2.10-2.20.

URANIUM: Nuexco exchange value, $ per lb U O, 16.00.

LONDON MARKETS

ZINC PRICES, which have been under pressure for some time because supplies, despite substantial production cutbacks, have stubbornly remained above the sagging *consumption level,* were further depressed yesterday when U.S. producers announced 3 cents a lb cuts in their selling prices. The move was thought to be linked to the announcement this week that world stocks rose by 10,000 *tonnes in August.* London Metal Exchange zinc prices sank to the lowest levels for more than two years before rallying somewhat as sterling slipped back against the dollar in the afternoon. But the high grade cash position still finished £6 down on the day at £472.50 a tonne. Coffee prices continued weak with *the November position adding* £32 to Monday's currency-inspired £78 fall.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	687-8	+2	—
3 months	709 10	+2.25	713/705

Official closing (am): Cash 689-90 (678-.5), three months 711-2 (700-.5), settlement 690 (676.5). Final Kerb *close:* 708-9. *Turnover:* 16,250 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or −	High/low
Cash	956-7	+13	950
3 months	981-2	+15.25	984/967

Official closing (am): Cash 950-.5 (945.5-6), three months 975.5-6 (971-.5), settlement 950.5 (946). Final Kerb close: 982-2.5.

Cathodes			
Cash	945-6	+18	—
3 months	966-8	+15.5	960

Official closing (am): Cash 935-7 (927-30), three months 958-60 (953-4), settlement 937 (930). Turnover: 41,375 tonnes. U.S. Producer prices 64-68 cents a pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or −	
Cash	286.5-7	+2.25	286
3 months	294.75-5	+2.37	285/284

Official closing (am): Cash 286-.25 (285-.5), three months 293.5-4 (293.5-4), settlement 286.25 (285.5). Final Kerb close: 284.6. Turnover: 6,975 tonnes. U.S. Spot: 19-20 cents a pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	3125-35	+2.5	3125
3 months	3175-80	−22.5	3190/3160

Official closing (am): Cash 3,125-6 (3,140-50), three months 3,165-70 (3,185-90), settlement 3,126 (3,150). Final Kerb close: 3,160-70. Turnover: 1,254 tonnes.

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or −	High/low for day
Cash	8720-30	−187.5	—
3 months	8680-5	−195	—

Official closing (am): Cash 8,775-80 (8,875-80), three months 8,740-5 (8,830-2), settlement 8,780 (8,880).

Standard			
Cash	8720-30	−187.5	8780
3 months	8680-1	−196	8675/8600

Official closing (am): Cash 8,775-80 (8,875-80), three months 8,730-1 (8,830-1), settlement 8,780 (8,880). Final Kerb close: 8,610-15. Turnover: 2,610 tonnes. Straits tin $m 30.74 (30.58) kilo.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	472 3	−6	
3 months	479-80	−4	487.5/474

Official closing (am): Cash 468-9 *(475-8.5), three months* 474.5-5 (480-1), settlement 469 (476.5). Final Kerb close: 478.5-79.5. Turnover: 9,625 tonnes. U.S. Prime Western: 38-41.75 cents a pound.

GOLD

Gold rose $1 an ounce from Monday's close in the London bullion market yesterday to finish at $328½-328¾. The metal opened at $330½-331 and traded between a high of $330¾-331¼ and a low of $327½-328. The market saw good two-way business amid speculation as to how effective the five-nation agreement would be in containing the dollar.

GOLD BULLION (fine ounce) Sept 24

Close	$328¼-328¾	(£229¾-230¼)
Opening	$330½-331	(£229¾-230¼)
M'n'g fix.	$328.00	(£229.090)
Aft'n'n fix	$327.90	(£229.622)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$332¼ 332¾	(£232¼-232½)
½ Krug.	$174-174¾	(£121½-122)
¼ Krug.	$89-89¾	(£62¼ 62¾)
1/10 Krug.	$36¼ 37	(£25¼-25¾)
Mapleleaf	$338¼ 339	(£236¼-237)
New Sov.	$78¼-79	(£54¾-55¼)
½New Sov	$47 47¾	(£32¾ 33¼)
Old Sov.	$83-84½	(£58-59½)
$20 Eagle	$460 500	(£321½-349½)
Noble Plat	$324-328	(£225¾-228¾)

SILVER

Silver was fixed 0.4p an ounce higher for spot delivery in the London bullion market yesterday at 430p. U.S. cent equivalents of the fixing levels were: spot 617.25c, up 0.75c; three-month 629.6c, up 1.1c; six-month 641.8c, up 0.7c; and 12-month 659.9c, *up 0.55c. The metal opened at* 432½-435½p (622-625c) and closed at 430½-433½p (615-618c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	430.00p	+0.40	430.50p	—
3 months	441.90p	+0.85	441.75p	−0.75
6 months	452.65p	+0.55	—	—
12 months	475.95p	+0.40	—	—

LME—Turnover: 39 (29) lots of 10,000 oz. Large three months high 442, low 441. Final kerb high 442, low 441.5.

RUBBER

PHYSICALS—The London market opened little changed, no buying interest throughout the day and closed on an easier note, reports Lewis and Peat. Closing prices (buyers) spot—(58.00p), October — (56.75p). November — (56.75p). The Kuala Lumpur fob price for RSS No 1 was 183.5 (185.0) cents a kg and for SMR 20 was 159.0 (161.0).

INDICES

FINANCIAL TIMES

Sep. 23	Sep. 20	M'th ago	Year ago
251.04	252.71	251.12	280.40

(Base: July 1 1952 = 100)

REUTERS

Sep. 24	Sep. 23	M'th ago	Year ago
1708.2	1699.3	1579.3	1861.4

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Sept. 19	Sept. 18	Month ago	Year ago
Spot	112.11	111.49	—	124.49
Fut.	114.89	114.03	—	124.89

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Sept 24 1985	+ or −	Month ago
Aluminium	£1100		£1100
Free Mkt	$1085/25	+5	$1055/75
Copper			
Cash h Grade	£956.5	+13	£994.5
3 mths	£981.5	+15.25	£1022.5
Gold Troy oz	$328.50	+1	$334.75
Lead Cash	£286.75	+2.25	£299.5
3 mths	£294.87	+2.37	£301.25
Nickel			
Free Mkt	205/225c		218/235c
Palladium oz	$100.75	+0.35	$103.75
Platinum oz	$311.85	−0.50	$332
Quicksilver†	$280/290		$296/300
Silver troy oz	430.00p	+0.40	452.20p
3 months	441.90p	+0.85	464.90p
Tin cash	£8725	−197.5	£9085.5
3 months	£8680.5	−195	£9051.5
Tungsten	$70.68		$72.02
Wolfram 22.01lb	$64/68	−1.50	$65/70
Zinc	£472.5	−6	£494.5
3 months	£479.5	−4	£499
Producers	$850		$850
OILS			
Coconut (Phil)	$455		$420
Palm Malayan	$560		$395
SEEDS			
Copra Phil	$300x		$500
Soyabean (U.S.)	$220	+3.25	$212.5
GRAINS			
Barley Fut. Nov.	£105.75		£102.30
Maize	£131y		£133.40
Wheat Fut. Nov.	£106.50	+0.35	£103.10
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1779.5	−2	£1768.5
Coffee Ft. Nov.	£1564	−32	£1708
Cotton A Index	52.60c	−0.40	56.30c
Gas Oil Nov.	$248.50	+1	$240
Rubber (kilo)	58.00p		61.00p
Sugar (raw)	$137z	−2	$123
Wooltops 64s	450p kilo		425p kilo

‡ Unquoted. z Sept-Oct. y Oct. x Oct-Nov. † Per 76lb flask. c Cents a pound.

COCOA

In sharp contrast to the activity of yesterday futures today traded lethargically over a narrow range and closed virtually unchanged on the day. Physicals were neglected and only *limited inquiry was noted, reports Gill* and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
Sept.	1737-1740	−10.5	1750-1738
Dec.	1779-1780	−2.0	1783-1776
March.	1809-1810	+3.0	1818-1806
May	1822-1823	+1.5	1831-1817
July	1827-1829	+1.0	1835-1822
Sept.	1826-1833	+0.5	1836-1827
Dec.	1822-1825	+0.5	1830-1820

Sales: 2,314 (2,980) lots of 10 tonnes.

ICO indicator prices (U.S. cents per pound). Daily price for September 24: 111.31 (111.05); five-day average for September 25: 108.30 (106.96).

COFFEE

Continued long liquidation brought Robustas under progressive selling pressure today, reports Drexel, Burnham, Lambert. Morning trading saw *good trade house support but com*mission house selling eventually forced values to the lows at the end of the day. Prices recovered marginally to close-to-lower, although the ICO talks still seem deadlocked on several important issues.

COFFEE	Yesterday's Close	+ or −	Business Done
Sept.	1535-1538	−44.5	1580-1539
Nov.	1563 1565	−32.0	1585-1556
Jan.	1605 1605	−26.0	1618-1594
March	1630-1634	−25.5	1654-1638
May	1660 1665	−30.0	1680-1669
July	1690-1580	−27.0	1705-1695
Sept.	1720-1730	−40.0	1725

Sales: 3,707 (2,996) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for September 23: Comp daily 1979 119.75 (119.65); 15-day average 118.43 (116.42).

GRAINS

Markets remained fairly subdued with *nearbys improving against forwards.* Buying interest was attributed to spot demand to boats with selling on bearish Ministry Crop Estimate, although this found good underlying trade support, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterd'ys close	+ or −
Nov...	105.75	—	105.60	+0.35
Jan...	108.75	−0.25	108.70	−0.15
Mar...	111.85	−0.15	111.80	−0.18
May...	114.75	−0.30	114.45	+0.15
July...	117.70	—		

Business done—Wheat: Nov 105.85-5.70, Jan 109.00-8.75, March 112.00-1.90, May 115.10-4.75, July 117.70-7.65, *Sales: 228 lots of 100 tonnes.* Barley: Nov 106.50-6.20, Jan 108.80-8.55, March 111.60-1.65, May 114.45 only. Sales: 69 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 15 per cent, Oct 124, Nov 125.15, Dec 125.75, *transhipment East Coast.* U.S. No 2 Soft Red Winter, Oct 104, Nov 106.25, Dec 107.25, sellers, EC French fao, Sept 118.50, 11½ per cent protein, *Sept/Oct 118. English feed fob, Jan/* March 113.00-113.25, April/June 118.00, paid East Coast, last week Sept/first week Oct 105.25, bid. Oct 106.50-107.50 buyer, seller, Nov 108.50, bid, Oct/Dec 108.00-109.00, buyer/seller. *Maize:* U.S. No 3 Yellow/French, *transhipment East Coast 1/10 Oct* 131, Nov/Dec 133. Barley: English Feed fob, Spot 102.25, Oct 105.50-106.00, Nov 107.50-107.75, Dec 109.50-110.00, buyer/sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices: Feed wheat: S East 101.70, S West 101.50, W Mids 99.00, *N East* 99.10. Feed Barley: S East 95.60, W Mids 98.30, N East 95.90. The UK monetary coefficient for the week beginning Monday September 30 (based on HGCA calculations using five days' exchange rates) will remain unchanged.

MEAT

PIGMEAT—Prices rallied from early lows to close up from yesterday in reasonable volume despite persistant selling from one quarter, reports CCST *Commodities.*

Sales: 71 (119) lots of 50 carcases, 3,250 kg.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Oct.	115.00	115.00	115.1-115.8
Nov.	116.40	116.10	116.5-114.8
Feb.	102.90	102.80	103.2-102.7
April	103.90	103.80	101.5-100.7
June	101.60	101.50	—
Aug.	100.70	100.50	100.5-100.6

MEAT COMMISSION—Average fatstock prices at representative markets: GB Cattle 92.60p per kg lw (−0.74); *GB Sheep* 142.51p *per kg est dcw* (−6.05); GB Pigs 79.77p per kg lw (−1.03).

PARIS—(FFr per tonne). Dec 1470-1474, *March 1486-1490, May* 1513-1521, Aug 1580-1595, Oct 1605-1620, Dec 1640-1665.

POTATOES

The market traded £1.00 down on basis April shortly after opening, to test chart the support level of £76.00. Buying interest was strong and the *market held above this price through*out the day despite several concerted efforts to break down through it. By the close shortcoverings in nervous conditions pushed prices up to almost unchanged, whilst November closed 80p up on the day in thin trade, *reports Coley and Harper.*

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov.	61.70	60.90	61.00-60.50
Feb.	65.40	65.00	—
Apr.	78.90	79.10	79.50-78.10
May	86.00	84.90	85.80-84.30

Sales: 645 (909) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 50p higher in *quiet conditions, reports* T. G. Roddick. Prices eased lower in mixed selling before commission house buying steadied market to close unchanged *on the day.*

	Yesterday close £ per tonne	+ or −	Business Done
October	120.8-123.0	−2.50	123.0-125.0
Dec.	124.5-124.8	+0.30	124.5-122.8
Feb.	127.8-127.5	+0.20	126.4-126.4
Apr.	127.5-127.7	−0.05	128.5-128.5
June	127.5-127.8	−0.20	128.5-127.8
August	128.0-128.8		—
October	128.0-131.0	−0.50	—

Sales: 312 (300) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $137.00 (£95.00), down $2.00 (down (£1.50) a tonne for September-October *delivery.* White sugar $178.00, down $3.00.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct.	140.0-141.0	137.8-140.0	146.0-138.0
Dec.	144.6-144.8	142.2-143.0	144.4-141.8
Mar.	154.6-154.8	152.0-152.2	155.8-156.8
May	158.6-159.0	156.2-156.6	159.2-156.8
Aug.	165.2-165.8	162.6-163.0	165.8-162.6
Oct.	170.8-171.4	168.0-168.8	169.4-168.0

Prices quickly consolidated at the *lower levels after yesterday's sell-off* and then edged higher over the day, reports C. Czarnikow.

Sales: 1,556 (1,864) lots of 50 tonnes.

Tate & Lyle deliver price for granulated basis sugar was £198.00 *(£200.50)* a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) *Prices for Sept 23:* Daily price 5.13 (5.18); 15-day average 5.16 (5.14).

U.S. MARKETS

THE precious metal markets consolidated in a tight range awaiting fresh direction from the currency markets, reports Heinhold Commodities. Copper firmed on stop *loss* buying encouraged by better trade interest linked to recent sterling strength and the firm tone to U.S. auto sales. Sugar traded firm ahead of India's buying tender tomorrow and reports of *Japanese buying interest.* Cocoa came under pressure on light producer selling which encouraged profit-taking. The lack of agreement at the ICO meeting led to limited movement in coffee values. Cotton was relatively steady on the pick up in U.S. mill consumption during August. The energy *complex gained* ground on expectations a trade stocks report will show low levels of U.S. stocks. The grain complex rallied sharply on good commercial *buying* linked to reports of Russian purchases of maize and light producer offers. The soyabean complex traded mixed with better country movement *limiting* activity.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	43.30	43.30	43.25	43.30
Oct	43.30	—	—	43.50
Nov	43.90	—	—	44.05
Dec	44.25	44.40	44.20	44.25
Jan	44.60	—	—	44.60
March	45.35	—	—	45.35
May	46.05	—	—	46.05
July	46.75	—	—	46.75
Sept	47.45	—	—	47.45
Jan	48.85	—	—	48.85

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2305	2325	2287	2325
March	2365	2383	2350	2386
May	2396	2411	2380	2415
July	2403	2421	2395	2430
Sept	2408	—	—	2430
Dec	2409	—	—	2433

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	137.15	137.45	136.67	137.07
March	139.06	139.10	138.35	138.65
May	140.13	140.20	139.80	139.85
July	140.40	140.00	140.00	139.78
Sept	141.50	—	—	141.75
Dec	141.00	—	—	140.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	59.80	59.80	58.95	58.65
Oct	59.95	—	—	58.80
Nov	60.35	—	—	59.35
Dec	60.75	60.95	59.70	59.60
Jan	60.95	60.70	60.70	59.85
March	61.40	61.50	60.40	60.30
May	61.75	61.90	60.95	60.65
July	62.15	62.50	61.70	61.05
Sept	62.65	62.50	61.60	61.45
Dec	63.15	62.60	62.30	62.06

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	60.06	60.23	59.60	60.00
Dec	59.05	59.35	58.85	59.20
March	60.26	60.43	60.10	60.25
May	60.56	60.50	60.37	60.57
July	59.42	59.50	59.30	59.80
Oct	54.52	54.68	54.60	54.65
Dec	53.60	53.70	53.40	53.65

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
Nov	28.23	28.32	27.95	28.05
Dec	27.70	27.79	26.88	27.48
Jan	27.22	27.30	26.98	27.05
Feb	26.85	26.90	26.73	26.69
March	26.50	26.58	26.26	26.35
April	26.22	26.30	26.18	26.07
May	25.96	25.95	25.85	25.79
June	25.67	25.65	25.65	25.51
July	25.44	25.44	25.30	25.31
August	25.30	25.30	25.30	25.19

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	330.1	—	—	328.9
Oct	330.5	330.7	328.0	329.4
Nov	332.6	—	—	331.5
Dec	334.8	335.0	331.9	333.7
Feb	339.1	339.5	336.2	338.0
April	343.3	342.1	340.5	342.2
June	348.1	348.5	345.5	347.0
August	352.9	352.0	350.4	351.8
Oct	357.9	357.7	355.8	356.8
Dec	362.8	362.7	262.0	261.7
Feb	368.0	—	—	366.9
April	373.3	—	—	372.2
June	378.9	—	—	377.8

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Oct	79.76	79.85	79.30	79.44
Nov	80.38	80.60	79.50	79.83
Dec	80.63	80.90	79.70	80.04
Jan	80.37	80.60	79.50	79.86
Feb	79.20	79.20	78.60	78.86
March	75.20	75.50	74.75	75.20
April	72.20	72.75	72.20	72.40
May	70.50	71.10	71.00	70.65

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	133.70	133.75	132.00	132.86
Jan	128.85	129.25	128.50	129.05
March	127.75	127.75	126.80	127.40
May	128.25	—	—	128.00
July	125.75	126.00	126.00	125.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	311.9	—	—	315.2
Oct	312.4	315.0	308.0	315.7
Jan	315.9	418.4	311.5	319.1
April	319.9	322.5	315.5	323.3
July	324.9	327.0	320.0	328.3
Oct	330.4	330.0	323.0	333.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	617.0	618.0	615.5	617.0
Oct	617.8	—	—	617.8
Nov	621.8	—	—	620.8
Dec	628.5	627.0	623.0	626.5
Jan	630.8	630.0	630.0	630.9
March	639.3	640.0	636.0	639.4
May	648.0	649.0	646.5	648.1
July	657.5	658.0	656.5	657.8
Sept	667.6	667.5	665.5	667.7
Dec	682.9	685.0	681.5	683.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	5.34	5.35	5.19	5.22
Jan	5.47	5.47	5.32	5.37
March	5.88	5.88	5.69	5.78
May	6.07	6.08	5.88	5.96
July	6.27	6.27	6.08	6.15
Sept	—	—	—	4.60
Oct	6.64	6.64	6.48	6.55
Jan	6.63	—	—	6.55

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	57.80	58.15	57.02	57.52
Dec	60.52	61.00	59.80	60.70
Feb	58.80	58.55	58.27	58.55
April	59.60	60.40	59.25	60.60
June	60.50	61.15	60.00	61.47
August	59.06	59.85	59.00	60.10

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	39.95	40.45	39.15	39.82
Dec	41.85	42.27	41.10	42.37
Feb	41.80	42.40	41.42	42.82
April	38.67	39.30	38.55	40.05
June	42.65	42.75	42.17	43.67
July	43.30	43.40	43.00	44.20
August	42.65	42.65	42.10	42.65
Oct	39.65	39.75	39.10	39.30
Dec	40.55	40.55	40.40	40.50

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	226.2	227.0	220.4	221.4
March	236.2	237.0	230.4	231.4
May	241.4	242.2	236.0	236.6
July	244.2	244.4	238.6	239.0
Sept	235.4	237.2	232.2	232.2
Dec	233.4	234.2	229.2	229.6
March	242.0	—	—	238.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	61.30	62.06	61.25	63.25
March	61.52	62.10	61.20	63.20
May	62.82	63.15	62.55	64.20
July	63.20	63.70	62.27	64.27
August	60.70	61.45	60.15	62.15

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Nov	522.0	524.6	518.2	523.0
Jan	533.6	536.0	529.4	534.6
March	545.6	547.8	541.4	546.4
May	556.0	558.4	551.2	557.2
July	563.4	566.0	558.4	563.6
August	562.0	565.0	558.0	562.4
Sept	552.0	552.0	551.0	551.0
Nov	552.4	552.4	546.4	551.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	133.6	134.5	132.6	135.4
Dec	137.6	138.5	136.8	139.3
Jan	139.1	140.0	138.0	140.5
March	141.0	142.5	141.0	142.7
May	144.0	144.8	143.0	144.5
July	146.0	146.5	145.6	147.3
August	147.3	147.5	145.5	148.5
Sept	144.7	—	—	145.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	21.25	21.45	20.98	21.09
Dec	21.37	21.50	21.06	21.19
Jan	21.55	21.75	21.30	21.38
March	21.95	22.15	21.70	21.76
May	22.28	22.45	22.00	22.05
July	22.57	22.75	22.30	22.30
August	22.60	22.75	22.40	22.35
Sept	22.50	22.50	22.40	22.35
Oct	22.40	22.40	22.40	22.15

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	298.2	299.4	288.6	291.4
March	304.2	304.4	294.0	295.4
May	296.2	297.2	288.4	291.2
July	282.4	284.0	275.0	277.4
Sept	284.0	—	—	279.0

OIL

Crude oil prices were thin in stable trading. Nymex WTI opened 10 cents down for November and closed 18 cents up at 1 pm EDT. Prices were little changed in the petroleum products *market* and trading was generally subdued ahead of next week's Opec meeting, Petroleum Argus, London.

SPOT PRICES—Chicago loose lard 16.00 (same) cents per pound. New York tin 570.0-578.0 (585.0-588.0) cents per pound. Handy and Harman silver *bullion 618.0 (612.5) cents per troy* ounce.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Oct.		
Arab Light	27.40-27.50	—
Arab Heavy	25.40-25.50	—
Dubai	28.40 28.60	+0.10
Brent Blend	27.60-27.70	—
W.T.I. (1pm est)	29.15-29.20*	+0.05
Forcados (Nigeria)	28.20-28.50	—
Urals (cif NWE)	27.00-27.10	—

* November.

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	268-270	—
Gas Oil	251-254	+0.25
Heavy fuel oil	134-136	−0.5
Naphtha	247-249	−2

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or −	Business Done
Oct.	251.50	+0.75	251.50-50.00
Nov.	248.50	+1.00	248.50-46.00
Dec	246.00	+1.25	246.00-43.50
Jan.	244.00	+1.25	244.25-41.50
Feb.	240.75	+3.75	240.75-39.00
Mar.	231.00	+2.00	231.00-31.00

Turnover: 1,844 (2,369) lots of 100 tonnes.

FREIGHT FUTURES

The market opened marginally *easier today, but the lower levels were* short lived. Throughout the remainder of both sessions the market remained very steady, fuelled *by further rumours* of constructive rates paid in the physical market, reports Clarkson Wolff. The Baltic Freight Index was 925.0 +6.5.

	Close	High/Low	Prev.
Oct.	894/893	894/885	889/885
Jan.	932/931	935/925	920/927.5
April	984/983	986/980	984/981
July	891/890	890/890	895/885
Oct.	990/960	—	1000/940
Jan.	1030/980	—	1030/970
April	1075/1040	1050/1050	1060/1000
July	990/960	—	990/945

Turnover: 351 (363).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls again

The dollar lost ground yesterday compared to Monday's closing levels although it finished some way above the day's lows. Once again trading was rather erratic as the market tried to assess how the dollar would react in the long term. Yesterday's U.S. economic data included consumer prices and durable goods and these were sufficiently encouraging to have pushed the dollar much firmer under more normal circumstances.

However central bank intervention by the West German Bundesbank and the Bank of Japan was sufficient to deter any concerted forays back into the dollar. In addition the Federal Reserve's generous money market operations led to speculation that the discount rate would soon be reduced.

Against this background the dollar fell to DM 2.7140 from DM 2.7315 against the D-mark although this was some way above the day's low of DM 2.6960. Elsewhere it slipped to SwFr 2.2295 from SwFr 2.24 and Y229.70 compared with Y231.70. Against the French franc it slipped to FFr 8.2750 from FFr 8.3450. On Bank of England figures, the dollar's exchange rate index fell from 134.5 to 134.4.

STERLING — Trading range against the dollar in 1985 as 1.4320 to 1.0525. August average 1.3838. Exchange rate index 82.8 from 83.1 having opened at 83.0 and touching a low in the afternoon of 82.6. The six months figure was 75.5

Stterling was slightly weaker overal, improving against the dollar but losing ground against most of its European partners. Sentiment was affected to some extent by hopes of a cut in UK interest rates although some dealers sugegsted that this might be a little premature. The pound roseto $1.4315-1.4325, a rise of 50 points an dits best closing level since April 1984. Against the D-mark however it slipped to DM 3.8850 from DM 3.8975 and SwFr 3.1925 compared with SwFr 3.1950. It was also weaker against the yen at Y329 from Y3305.0 and FFr 11.8475 from FFr 11.9075.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7140 August average 2.7936. Exchange rates index 127.4 against 120.0 six months ago.

The dollar was fixed lower in Frankfurt yesterday at DM 2.7130 from DM 2.7248 on Monday and the Bundesbank sold $46.6m at the fixing. Later trading saw the dollar recover however, based on shortcovering and encouraging U.S. economic data. Adesire to push the dollar firmer failed to attract any further central bank intervention and the U.S. unit closed at DM 2.7235 from DM 2.7185.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.8320	45.1097	+0.62	+0.90	±1.5425
Danish Krone ...	8.12857	8.07815	−0.62	−0.34	±1.6421
German D-mark	2.23840	2.22390	−0.65	−0.37	±1.1455
French Franc ...	6.86402	6.78901	−1.09	−0.81	±1.3654
Dutch Guilder...	2.52208	2.50363	−0.73	−0.45	±1.5162
Irish Punt	0.724578	0.717381	−0.99	−0.71	±1.6673
Italian lira	1520.60	1506.71	−0.98	−0.98	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	Sept 24	Previous
8.30 am	83.0	83.1
9.00 am	83.1	83.9
10.00 am	83.0	83.3
11.00 am	83.0	83.3
Noon	82.9	83.1
1.00 pm	82.9	83.3
2.00 pm	82.9	83.2
3.00 pm	82.6	83.2
4.00 pm	82.8	83.1

£ IN NEW YORK

	Sept. 24	Prev. close
£ Spot	$1.4275-1.4285	$1.4480-4490
1 month	0.45-0.42 pm	0.39-0.36 pm
3 months	1.13-1.09 pm	1.06-1.04 pm
12 months	2.90-2.80 pm	2.75-2.65 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

Sept 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4200-1.4420	1.4315-1.4325	0.44-0.41c pm	3.56	1.12-1.08pm	3.09
Canada	1.9413-1.9601	1.9460-1.9500	0.52-0.42c pm	2.90	1.17-1.02pm	2.25
Nethlnd.	4.3489-4.3873	4.3650-4.3680	2¼-2⅛c pm	6.01	6⅞-5⅞pm	5.50
Belgium	78.23-79.09	78.50-78.60	20-15c pm	2.67	45-35pm	2.06
Denmark	14.01½-14.16½	14.15-14.16	3½-2⅞ore pm	2.86	10-8½pm	2.85
Ireland	1.2484-1.2579	1.2500-1.2510	0.27-0.12p pm	1.87	0.64-0.37pm	1.62
W. Ger.	3.86½-3.89¼	3.88-3.89	2½-2⅛pf pm	7.34	6¾-6½pm	6.82
Portugal	238-243¼	239½-241½	40c pm-295 dis	−6.38	485-1550dis	−16.79
Spain	233-235	233½-234½	par-40c dis	−1.03	90-215dis	−2.62
Italy	2,612½-2,632	2,622½-2,623¾	2-5 lire dis	−1.60	11-15dis	−1.98
Norway	11.49½-11.57½	11.53-11.54	¼-1¾ore dis	−1.34	3½-4½dis	−1.45
France	11.79½-11.89¼	11.84¼-11.85¼	2¼-1½c pm	1.84	2⅞-1⅞pm	0.63
Sweden	11.56¼-11.68	11.63¼-11.64¼	3¼-4½ore dis	−4.25	12½-13½dis	−4.47
Japan	327¼-330½	328½-329½	1.47-1.37y pm	5.18	4.04-3.90pm	4.83
Austria	27.02-27.36	27.02-27.10	16-14½gro pm	6.76	42½-36¼pm	5.96
Switz.	3.17¼-3.19¾	3.19¼-3.19¾	2-1⅞c pm	7.29	5½-5⅜pm	6.86

Belgian rate is for convertible francs. Financial franc 79.30-79.40. Six-month forward dollar 1.85-1.80c pm, 12-month 2.90-2.75c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4200-1.4420	1.4315-1.4325	0.44-0.41c pm	3.56	1.13-1.08pm	3.09
Ireland†	1.1350-1.1495	1.1420-1.1440	0.22-0.12c pm	1.78	0.55-0.35pm	1.57
Canada	1.3600-1.3636	1.3610-1.3615	0.06-0.09c dis	−0.66	0.28-0.31dis	−0.84
Nethlnd.	3.0360-3.0715	3.0480-3.0490	0.62-0.59c pm	2.38	1.85-1.82pm	2.40
Belgium	54.80-55.22	54.80-54.90	2-3c dis	−0.55	11-13dis	−0.87
Denmark	9.79½-9.89	9.88¼-9.88¾	¼-¾ore dis	−0.61	¼-1¼dis	−0.41
W. Ger.	2.6960-2.7300	2.7135-2.7145	0.86-0.84pf pm	3.76	2.56-2.50pm	3.73
Portugal	168-170	168-170	25-250c dis	−9.76	375-1050dis	−16.88
Spain	163-164¾	163.163½	53-73c dis	−4.62	150-200dis	−4.27
Italy	1821-1840	1831-1832	7¼-8¼ lire dis	−5.08	21½-23dis	−4.86
Norway	8.02¼-8.08	8.05½-8.06½	3-3½ore dis	−4.84	9-9½dis	−4.59
France	8.23-8.32½	8.27¼-8.27¾	1.20-1.40c dis	−1.88	4.50-4.80dis	−2.25
Sweden	8.10-8.15	8.12½-8.13¼	5-5½ore dis	−7.76	15¾-15¼dis	−7.84
Japan	228.50-231.30	229.65-229.75	0.30-0.27y pm	1.49	1.00-0.95pm	1.70
Austria	18.96-19.12	18.97-19.02	5½-4¾gro pm	3.23	15½-12¾pm	2.94
Switz.	2.2100-2.2390	2.2290-2.2300	0.74-0.69c pm	3.86	2.08-1.96pm	3.61

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.35-56.45.

OTHER CURRENCIES

Sept 24	£	$		£ Note Rates
Argentina Austl.	1.1458-1.1491	0.8000-0.8010	Austria	27.20-27.50
Australia Dollar	2.0155-2.0195	1.4145-1.4165	Belgium	79.15-80.05
Brazil Cruzeiro	10,981-11,046	7,660-7,700	Denmark	14.05-14.20
Finland Markka	8.2595-8.2925	5.7820-5.7870	France	11.81-11.92
Greek Drachma	187.00-190.93	130.09-132.81	Germany	3.87-3.92
Hongkong Dollar	11.0925-11.1075	7.7790-7.7840	Italy	2610-2655
Iran Rial	120.50*	89.10*	Japan	329-333
KuwaitDinar(KD)	0.4260-0.4270	0.29950-0.29885	Netherlands	4.36½-4.39½
LuxembourgFr	78.50-78.60	54.80-54.90	Norway	11.51-11.62
Malayzia Ringgit	3.4975-3.5125	2.4540-2.4490	Portugal	237-252
NewZealand Dlr	2.6170-2.6270	1.8385-1.8436	Spain	225¼-235½
Saudi Arab Riyal	5.1920-5.1975	3.6500-3.6510	Sweden	11.62-11.74
Singapore Dollar	3.0750-3.0900	2.1575-2.1625	Switzerland	3.17½-3.20½
Sth African Rand	3.6495-3.5680	2.5610-2.5740	United States	1.42½-1.44½
U.A.E. Dirham	5.2230-5.2285	3.6720-3.6730	Yugoslavia	435-470

* Selling rate.
Rand Financial rate: 2.7395-2.8170 ($) and 3.9040-4.0140 (£)

CURRENCY MOVEMENTS

Sept. 24	Bank of England Index	Morgan Guaranty Change %
Sterling	82.8	−7.4
U.S. dollar	134.4	+21.5
Canadian dollar	85.5	−7.9
Austrian schilling	117.5	+5.0
Belgian franc	91.7	−10.5
Danish Kroner	80.5	−4.7
Deutsche mark	127.4	+9.1
Swiss franc	150.6	+12.5
Guilder	117.5	+5.1
French franc	68.1	−13.2
Lira	44.3	−20.3
Yen	160.5	+16.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 24	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.751909	0.572853
U.S.$	7½	1.04845	0.820825
Canadian $	9.27	*	1.11851
Austria Sch.	4	19.9761	15.6272
Belgian Fr	9½	57.5704	45.1097
Danish Kr	7	10.3456	8.07815
D mark	4	2.84444	2.22390
Guilder	5	3.19620	2.50363
French Fr	9½	8.66544	6.78901
Lira	15½	N/A	1506.71
Yen	5	239.885	188.429
Norway Kr	8	8.44526	6.61182
Span'h Pta	—	171.559	134.451
Swedish K	10½	8.51394	6.66309
Swiss Fr	4	2.33175	1.82504
Greek Dr'ch	20½	138.196	108.111
Irish Punt	13½	0.916878	0.717381

*C$/SDR rate for September 23: 1.43036

EXCHANGE CROSS RATES

Sept. 24	Pound St'ling	U.S. Dollar	Deutschemk.	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.432	3.885	329.0	11.85	3.193	4.366	2623.	1.948	78.55
U.S. Dollar	0.698	1.	2.714	229.7	8.274	2.230	3.049	1832.	1.360	54.85
Deutschemark	0.257	0.369	1.	84.68	3.050	0.822	1.124	675.1	0.501	20.22
Japanese Yen 1,000	3.040	4.353	11.81	1000.	36.01	9.704	13.27	7972.	5.921	238.8
French Franc 10	0.844	1.209	3.279	277.7	10.	2.695	3.685	2214	1.644	66.30
Swiss Franc	0.313	0.449	1.217	103.1	3.711	1.	1.367	821.5	0.610	24.60
Dutch Guilder	0.229	0.328	0.890	75.36	2.714	0.731	1.	600.8	0.446	17.99
Italian Lira 1,000	0.381	0.546	1.481	125.4	4.517	1.217	1.664	1000.	0.743	29.95
Canadian Dollar	0.513	0.735	1.994	168.9	6.082	1.639	2.241	1346.	1.	40.32
Belgian Franc 100	1.273	1.823	4.946	418.8	15.08	4.064	5.558	3339.	2.480	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 24	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	11⅞-12	7¾ 7⅞	7⅝-7⅞	5⅛ 5¼	1-1¼	4⅛-4⅜	9¼-9½	11-13	8⅞-9⅛	8½ 8¾	6½-6⅝	9-9½
7 days' notice	11¾-11⅞	7⅞-8	8-8¼	5⅝-5¾	10-¼10½	4⅛-4⅜	9⅜-9⅝	10¾-12¼	8⅞-9⅛	8¾-9	6⅞ 7	9 9½
Month	11½-11⅝	7⅞-8⅛	8⅛-8⅜	5⅝-5¾	4⅛-4⅜	4⅜ 4½	9½-9¾	11¾-13¾	8¾-9	8¾-9	6½-6⅝	9⅛-9⅝
Three months	11⅛-11¼	8⅛ 8¼	8⅞ 8⅞	5⅝-5¾	4⅛ 4⅜	4⅜ 4½	10¼-10½	12⅛-13	9 9¼	9-9¼	6⅜-6½	8¾-9¼
Six months	11⅛-11¼	8¼-8⅜	9⅛-9⅜	5⅝-5⅞	4⅜-4½	4⅜-4½	10¾-11	12¾-13¼	9⅛-9¾	9⅜-9⅝	6⅜-6⅝	8¾-9¼
One year	10⅞-11⅛	8⅞-8⅞	9⅛-9⅞	5¾-5⅞	4⅝-4¾	4⅝ 4¾	11¼-11½	13⅛ 14	9⅝-9⅞	9½-9¾	6⅜-6⅝	9-9½

Asian $ (closing rates in Singapore): Short-term 7⅞-8 per cent; seven days 7⅞-8 per cent; one month 7[illegible]-8[illegible] per cent; three months 8[illegible]-8[illegible] per cent; six months 8¼-8⅜ per cent; one year 8[illegible]-8[illegible] per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 10-10⅛ per cent; four years 10¼-10½ per cent; five years 10½-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates steady to firm

Interest rates were steady to firm on the London money market yesterday, as hopes faded of any immediate cut in clearing bank base rates. Three-month interbank closed unchanged at 11½-11⅝ per cent, and bills rates were generally firmer. Discount houses buying rates for three-month bank bills rose to 11-11 1/16 per cent from 10⅞-10 15/16 per cent.

The Bank of England forecast a money market shortage of £550m and provided total help of £432m.

Before lunch the authorities bought £138m bills outright, by way of £9m bank bills in band 1 (up to 14 days maturity) at 11⅛ per cent; £4m local authority bills in band 2 (15-33 days) at 11 1/16 per cent; £114m bank bills in band 2 at 11 1/16 per cent; £1m Treasury bills in band 3 (34-63 days) at 11⅛ per cent; £9m bank bills in band 3 at 11⅛ per cent; and £1m bank bills in band 4 (64-91 days) at 11 1/16 per cent.

In the afternoon the Bank of England purchased £294m bills, through £60m bank bills in band 1 at 11⅛ per cent; £187m bank bills in band 2 at 11 1/16 per cent; £47m bank bills in band 3 at 11⅛ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £305m; with Exchequer transactions absorbing £225m, and bank balances below target, another £15m. These outweighed a fall in the note circulation adding £65m to liquidity.

The Bank of England also offered to roll over about £3bn in temporary help to the banking system, through up to 1 per cent of elegibile liabilities from September 30 until October 31.

In Frankfurt the Bundesbank allocated DM 12.8bn to the domestic money market, by way of a 28-day securities repurchase agreement, at a rate of 4.55 per cent. Total bids were DM 19.6bn. The allocation does not fully replace the DM 14.6bn draining from the market today, as an earlier 35-day securities repurchase pact expires. The 4.55 per cent rate is the lowest ever set on a similar agreement, but is not regarded as particularly significant as far as the future direction of German interest rates is concerned. The Bundesbank had set a minimum rate of 4.50 per cent at which banks could bid for money.

UK clearing banks base lending rate 11½ per cent since July 29.

MONEY RATES

Sept. 24	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.4-4.5	9⅜	5⅞-1⅛	5⅝-5 11/16	6.21875	14⅛-14¼	8.35	9¾-10
One Month	4.55 4.65	9⅜-9½	4 5/16-4 7/16	5⅝-5¾	6.53125	13⅝-14	8¾-9	9⅝-9⅞
Two Months	4.5-4.7	9 7/16-9⅝	—	—	6.40625	—	—	9¾-10
Three Months	4.5-4.7	9 7/16-9⅝	4⅜-4½	5 11/16-5 13/16	6.40625	13⅞-14¼	9¼	9⅞-10⅛
Six Months	4.65-4.80	9½-9⅝	—	5¾-5⅞	—	—	9⅜-9⅝	10¼-10½
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	9⅜	—	—	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Sept. 24 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11½-13	11⅞-12	12-12¼	11¼-12	—	—	—	—	—
2 days notice	—	—	11¾	—	—	—	—	—	—	—
7 days or	—	[illegible]	—	[illegible]	[illegible]	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	—	—	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
Nine months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	[illegible]	[illegible]	—	—
One year	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	—	—	—	—
Three years	—	[illegible]	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Finance IV: Average rate of interest period August 7 to September 3 (inclusive): 11.574 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12 per cent from September 1 1985. London and Scottish Clearing Bank Rates for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 5.25-5.625 per cent (net). Treasury Bills: Average tender rate of discount 11.0584 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from September 24. Deposits held under Series 5 11 per cent. The rate for all deposits withdrawn for cash 7½ percent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¾-9
Fed funds	7⅞
Fed funds at intervention	7⅝
Treasury Bills	
One month	6.89
Two month	6.93
Three month	7.03
Six month	7.41
One year	7.92
Treasury Bonds	
Two year	8.86
Three year	9.21
Four year	9.51
Five year	9.76
Seven year	10.21
10 year	10.37
30 year	10.65

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 24)

3 months U.S. dollars	
bid 8 1/16	offer 8 3/16
6 months U.S. dollars	
bid 8 1/4	offer 8 3/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Eurodollars rally

An interesting day on the London International Financial Futures Exchange finished with Eurodollar contracts improving at the expense of U.S. Treasury bonds, and sterling denominated contracts struggling to find direction, but generally losing ground. It was suggested that Japanese liquidation of U.S. bonds was set against Eurodollar purchases, with the latter in demand because of expectations that the Federal Reserve will cut its discount rate. This was seen to be the outcome of Sunday's Group of Five meeting in New York, but other dealers commented that if Japanese investors were pulling out of bonds on suspicion that U.S. rates will fall the decline in market prices would have been much greater.

December Eurodollar opened little changed at 91.66 and fell to 91.63 on rumours that durable goods orders would be above market expectations of about a 1 per cent rise. The published figure of 3.4 per cent higher was well above the general level of forecasts, and the December contract fell to a low of 91.60, but recovered to close near the day's high, when the break down of the durable goods figure showed that defence spending played a major part in the sharp rise.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Dec	91.69	91.70	91.60	91.67
March	91.33	91.35	91.25	91.32
June	90.96	90.96	90.92	90.96
Sept	90.61	90.59	90.57	90.62
Dec	90.30	—	—	90.32
March	90.00	—	—	90.02
June	89.72	—	—	89.74

Est volume 5,634 (8,049)
Previous day's open int 18,736 (17,858)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Dec	89.36	89.50	89.34	89.46
March	89.64	89.74	89.54	89.74
June	89.64	89.64	89.60	89.72
Sept	89.65	89.73	89.72	89.74
Dec	89.68	—	—	89.77

Est. volume 2,634 (3,517)
Previous day's open int 5,817 (5,837)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	112-18	—	—	112-29
Dec	112-20	112-29	112-14	112-31
March	112-22	112-27	112-27	112-31

Est volume 2,597 (3,545)
Previous day's open int 3,926 (3,901)
Basis quote (clean cash price of 13½% Treasury 2004/08 less equivalent price of near futures contract) −6 to +4 (32nds)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
Dec	98-19	98-23	98-13	98-29
March	98-35	—	—	98-45

Est volume 865 (1,354)
Previous day's open int 1,275 (1,161)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	141.65	142.70	141.35	142.00
March	140.90	141.55	141.55	141.30
June	140.30	—	—	140.70

Est volume 494 (844)
Previous day's open int 2,630 (2,694)

DEUTSCHE MARKS DM125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3706	0.3725	0.3698	0.3708
March	0.3738	0.3749	0.3749	0.3740

Est volume 420 (172)
Previous day's open int 343 (361)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.4514	0.4539	0.4527	0.4514
March	0.4552	0.4568	0.4568	0.5443

Est volume 360 (6)
Previous day's open int 238 (239)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4364	0.4375	0.4362	0.4347
March	0.4387	0.4390	0.4390	0.4370

Est volume 382 (14)
Previous day's open int 232 (237)

FT-SE INDEX £25 per full index point

	Close	High	Low	Prev
Sept	128.10	129.20	127.85	129.30
Dec	128.80	129.90	128.70	130.00

Est volume 863 (685)
Previous day's open int 1,727 (1,758)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	74-29	75-10	74-24	75-11
March	73-27	73-28	73-28	74-11

Est volume 4,221 (5,725)
Previous day's open int 2,878 (2,874)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	74-28	75-07	74-24	75-10
March	73-24	74-04	73-21	73-30
June	72-22	73-02	72-21	72-30
Sept	71-24	72-03	71-24	72-00
Dec	70-31	71-07	70-31	71-04
March	—	—	—	70-10
June	69-11	69-13	69-11	69-18
Sept	—	—	—	—
Dec	—	—	—	68-08
March	—	—	—	67-22

U.S. TREASURY BILLS (IMM) $1m
points of 100%

	Latest	High	Low	Prev
Sept	93.20	93.23	93.16	93.25
Dec	92.90	92.92	92.82	92.90
March	92.54	92.58	92.49	92.55
June	92.18	92.21	92.15	92.20
Sept	91.87	91.87	91.83	91.89
Dec	91.57	91.57	91.54	91.60
March	91.28	—	91.28	91.32
June	91.02	—	91.02	91.06

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.17	92.18	92.17	92.16
Dec	92.00	92.04	91.94	92.02
March	—	—	—	91.64
June	—	—	—	91.27

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Dec	91.67	91.71	91.59	91.67
March	91.31	91.36	91.23	91.31
June	—	90.97	90.87	90.94
Sept	—	—	—	—
Dec	90.24	90.29	90.21	90.29
March	89.94	89.97	89.91	89.99
June	89.65	89.68	89.62	89.70

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Dec	1.4125	1.4275	1.4125	1.4200
March	1.4060	1.4180	1.4040	1.4150
June	1.3990	1.4150	1.3980	—
Sept	—	—	—	1.3860

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	75-14	75-22	75-13	75-21
March	—	—	—	74-29
June	—	—	—	74-04
Sept	73-00	73-00	73-00	73-08

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
Sterling drifted as impact of lower dollar on U.K. oil revenues is assessed.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
502	176	6008	5924

Eurodollar Future—points of 100%
Record volume as U.S. durable goods rises by 3.4%.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
390	436	1214	1174

For full details of settlement prices call: Louise Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
22⅞	15¼	Amer Medical Intl $1	15¼xd	−⅛	72c	—	3.4
20⅞	14⅝	American T. & T. $1	15	+⅛	$1.20	—	5.8
79⅞	62⅞	Ameritech $1	64⅞	+⅛	$6.00	—	6.7
25	16	Amfac	16½	−½	$1.44	—	6.3
47p	21½p	♦ArldTech	21½p	.....	—	—	—
18½	942p	Bankamerica $1.5	942p	−14	80c	—	6.1
60¼	43	Bankers N.Y. $10	43⅝xd	+⅛	$2.70	—	4.5
12⅞	513p	BASIX Corp.	541pxd	+28	12c	—	1.6
80¼	61½	Bell Atlantic $1	62⅞	+⅛	$6.80	—	7.8
34¼	27⅞	Bellsouth $1	27¾	+½	$2.60	—	6.7
19¼	11¼	♦Beth Steel $8	11⅝	+⅛	40c	—	2.5
24	15⅛	Bowater Inc.	15⅛	.....	72c	—	3.4
40½	31¼	Brown'g-Fer. 16⅔c	34⅝xd	+½	$1.08	—	2.2
37¼	23⅞	Brunswick Corp.§	24⅞	+1	$1.00	—	2.9
525p	125p	♦Business Computer	128p	.....	—	—	—
39⅞	29⅛	CPC Intnl. 25c	31⅛xd	+⅞	$2.20	—	5.1
25	16⅛	CSX Corp U.S.$1.00	16⅞	+½	$1.04	—	4.4
19¼	13	CalFed Inc $1.00	13⅝	−⅛	32c	—	1.8
32⅞	25	Campbell Soup 90c	25⅛	−⅛	$5.00	—	14.3
31⅞	23¼	Caterpillar Tractor§	25⅛xd	+1½	50c	—	1.4
902p	551p	Cenergy Corp. 25c	645p	−16	4c	—	0.4
52¼	35⅝	Chase M'hat $12.5	35⅝xd	−¼	$3.80	—	7.7
38⅞	25⅛	Chemical New York	25⅞	.....	$2.48	—	7.1
34½	22⅛	Chesebrough-Pond's $1	22⅛xd	+½	$1.92	—	6.1
32⅞	24⅞	Chrysler $6¼	25⅛	+1	$1.00	—	2.8
42¼	28⅛	Citicorp $4	29⅛xd	+⅞	$2.26	—	5.5
10⅛	714p	CityFed Fin. Corp.	714p	.....	40c	—	4.0
23½	18⅛	Colgate-P. $1	18⅝	+½	$1.40	—	5.4
57⅞	42	Colt Inds. $1	42⅞	+½	$2.50	—	4.2
155p	40p	Cont Illinois Hldgs $1	61p	.....	—	—	—
278p	50p	♦Corporate Data Sciences	50p	.....	—	—	—
36¼	25⅞	Crown Zell. $5	26xd	+⅛	$1.00	—	2.8
44¼	11⅞	Cullinet Softw $0.1	12½	+⅛	—	—	—
506p	248p	Damson Oil 40c	279p	+1	—	—	—
29	16⅛	Dana Corp. $1	16⅝xd	.....	$1.28	—	5.5

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
40	28	Malmsoof Hldgs 10p	38	.....	—	—	—	♦
390	202	Man. Ship Can. £1	385	.....	5.5	3.5	2.0	20.2
104	70	Marley	86	.....	3.75	2.2	6.2	10.4
107	52	Marling Ind. 10p	97	.....	d1.5	5.1	2.2	12.4
80	56	Marshall L'ny. 'A'	80	.....	2.4	4.9	4.3	5.7
77	56	Marshall's Universal	56	−4	2.0	1.4	5.1	(17.8)
86	78	Do. 7½pcCvRedPf £1	82	.....	7½%	—	13.1	—
For Martin-Black see Dean Park Hotels in Recent Equities								
£99	£81	Mathesons 7¼%	£99	.....	Q7¼%	2.3	7.9	—
35	19	Maxiprint 1p	20	+1	—	—	—	—
510	375	Metal Box £1	483	−2	17.25	3.1	5.1	7.3
170	110	Metal Closures	120xd	+4	6.7	2.0	8.1	7.4
17	3	Metal Sciences 2½p	6	.....	—	—	—	—
104	73	Midland Marts	80	.....	4.0	2.1	7.1	9.6
93½	55½	Mitchell Cotts	90½	−1	t4.0	1.5	9.8	8.4
230	182	Morgan Crucible	190	.....	18.0	1.6	6.1	12.9
32½	22	Morris (W) F.A. 20p	31½	−½	g0.5	♦	2.3	♦
116	91	Moss (Robt.) 10p	116	+1	3.0	2.5	3.7	12.8
81	63	Myson Grp 10p	63	−1	g2.5	3.4	5.8	11.8
328	214	NMW Computers	250	−5	H4.8	2.7	2.7	19.2
43	28	Nash Inds.	33	.....	t2.5	1.5	‡	7.6
48	16	Neil & Spencer 10p	28	+2	♦	—	—	6.0
44	14½	Newman Inds 10p	35	+1	—	—	—	(16.6)
42	26	Nolton	42	.....	t1.17	4.5	4.0	8.1
189	146	Norcros	182	−1	8.6	2.2	6.7	9.1
67	47	Nu-Swift 5p	47	−1	3.0	1.6	9.1	9.0
111	68	Oakwood Grp.	108	+3	H4.5	1.4	6.0	(15.9)
250	150	Office & Elect.	250	.....	7.5	2.4	4.3	13.7
108	75	Oldacre 20p	75	.....	4.0	2.6	7.6	6.7
58	37	Optometrics $0.01	46	.....	ad02c	—	3.4	—
495	312½	Oriflame £1	478	−15	t23.4	1.8	5.1	10.9
18	10	Ovenstone 12½c	18	.....	g01.23c	1.9	9.6	5.5
£192	£158	Ozalid 9pc Cnv 87-92	£190	.....	Q9%	—	—	—
185	105	PCT Grp 10p	125	.....	3.2	2.2	5.3	15.1
£34	850	PLM 'B' Sk 25	950	.....	Q21.6%	5.0	4.9	41.1
199	142	PSM Intl	156	−2	g6.25	2.5	4.8	10.7

LEISURE—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
202	170	Chrysalis	202	+2	5.6	2.6	4.0	[illegible]
52	7	Entertain Prod 5p	15xd	.....	bd2.25	2.1	21.4	[illegible]
78	50	Fairline Boats 10p	74	.....	t2.65	2.6	5.1	[illegible]
350	228	First Leisure £1	350xd	+2	t6.5	2.8	2.7	[illegible]
69	51	GRA Group 5p	61	.....	—	—	—	[illegible]
32	25	Grampian TVA 10p	28	.....	h1.67	♦	8.5	[illegible]
155	117	HTV Non-Vtg.	150	.....	h7.0	2.9	6.7	[illegible]
148	95	Horizon	98	−2	♦4.4	3.6	6.4	[illegible]
184	90	Insight	142xd	−2	t2.5	6.5	2.5	[illegible]
For Intasun see International Leisure								
140	102	Intnl Leisure 10p	128	−2	4.8	3.1	5.4	[illegible]
232	157	Juliana's Hldgs 2p	157	−8	2.0	1.8	1.6	[illegible]
300	217	LWT	290	.....	14.4	2.3	7.1	[illegible]
30	25	Leisure Inv 10p	27	−1	—	—	—	[illegible]
65	53	Leisuretime Int 10p	55	.....	t2.1	3.9	5.5	[illegible]
For Magnet Ag M see Chrysalis								
183	153	Media Tech Int 20p	180xd	.....	g2.58	♦	2.0	[illegible]
205	124	Medminster 10p	198	.....	t4.85	2.6	3.5	[illegible]
280	175	Miss World 10p	218	.....	3.6	4.1	2.4	[illegible]
127½	70	Nationwide Leisure	80xd	.....	t3.75	2.5	6.7	[illegible]
39	15	Norsk Int 20c	18½	+1	—	—	—	[illegible]
25	19½	Owners Abroad	25	.....	1.0	2.2	5.7	[illegible]
53	38	Photax (Lon.)	45	.....	—	—	—	[illegible]
24½	20	P'dilly Radio NV 5p	21½	.....	1.07	1.1	12.5	[illegible]
90	30	Pineapple Dnc St 10p	42	+2	d1.5	1.2	5.1	[illegible]
300	183	Pleasurama 5p	295	−2	H4.6	3.7	2.2	[illegible]
150	109	Do. 7pcCvCmRedPf	147	−1	7%	—	6.8	[illegible]
96	77½	Pres Entertain 50p	89	−3	H2.0	2.1	3.2	[illegible]
65	27	Radio City 'A' NV	27	.....	t5.6	0.9	‡	[illegible]
55	42	Radio Clyde NV	45	.....	3.25	2.0	10.3	[illegible]
63	34	Riley Leisure 10p	43	.....	0.7	—	2.3	[illegible]
193	143	Saga Hols. 20p	183	−2	t4.0	2.1	3.1	[illegible]
300	108	Samuelson Grp 20p	278	−2	1.8	♦	0.9	[illegible]
42	25	Sangers Photo 10p	30	.....	2.0	1.9	9.5	[illegible]
202	138	Scantro 50p	170	.....	g3.68	2.6	3.1	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 26 (International Edition Page 32)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Weakness in Thorn EMI and Imps unsettles equities

FT index down 12.6 more at 982.7

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 16	Sept 26	Sept 27	Oct 7
Sept 30	Oct 10	Oct 11	Oct 21
Sept 2	Sept 12	Sept 13	Sept 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Leading UK equities came under renewed selling pressure, while Government Securities failed to take Monday's good gains a stage further as light *profit-taking took its toll on* London stock markets yesterday.

From a fairly mixed and quiet opening, blue chip industrials suddenly took a distinct turn for the worse around mid-morning. Some sizeable lines of quality stock came on offer *particularly* in the beleaguered Electrical sector. This coincided with yet another major broking firm downgrading its profits forecast of an electrical major — Rowe and Pitman lowered their projection of Thorn EMI's current year profits by some £20m.

Although easily placed, the appearance of such quantities of shares unsettled market sentiment and with international stocks continuing to decline on concern about their dollar-earnings potential, the tone quickly deteriorated. Down 1.3 at 11 am, the FT Ordinary Share Index *fell a further 6.3 over the next* hour of trading and thereafter lost ground to stand 13.8 lower at 3 pm. The measure closed 12.6 off at 982.7.

Among the index constituents, **Thorn EMI** fell 18 to 357p following the profits downgrading, while **Imps** dropped 8 to 186p as *dealers expressed acute dis*appointment with the $314m realised by the company's long-awaited sale o fits Howard Johnson subsidiary to Marriott Corporation of the U.S.

Conditions in the Gilt-edged market were a lot quieter after Monday's excitement. The Chancellor's non-commital stance on interest rates tended to dampen *market hopes on this score and* served to induce light profit-taking of the funds as buyers returned to the sidelines awaiting today's sale of the two new long taps — £250m of 10½ per cent Exchequer 1997 and £250m of 9¾ Conversion 2004 — which were announced on Monday. *Longer-dated stocks, which had* risen by over a point the pre*vious day, closed with losses of* ½, while the shorts ended around ¼ lower.

Hambros feature

A firm merchant bank sector was featured by **Hambros**, which advanced 7 more to 175p on renewed speculative support; **Hambro Trust** jumped 18 to 183p in sympathy. **Mercury Securities** firmed 10 to 505p as dealers awaited the finalised details of *the proposed merger with stock*jobber **Akroyd and Smithers**, also 10 higher at 385p.

Lloyds Broker Stewart Wrightson performed well in Insurances, rising to 683p initially on speculative buying fuelled by vague suggestions of a bid from Exco before reacting on profit-taking to close the session a net 13 higher on balance at 668p.

Among other dull Breweries, **Whitbread A** rose 3 to 228p in response to bullish notices emanating from a broker's lunch. Regionals featured Sunderland-based **Vaux**, which touched 353p *before closing 7 up on balance* at 347p amid suggestions that the company could be a possible target for Imperial Group.

Barratt Developments held centre stage in the Building sector and raced up to 112p prior *to closing a net 8 up at 106p on* relief that the final dividend had been maintained despite the poor annual profits. **George Wimpey**, half-year figures due tomorrow, touched 120p in sympathy before settling a penny dearer on balance at *118p*. **RMC** were a steady market at 386p awaiting today's half-timer, but **Blue Circle**, after early progress to 523p, drifted off to close 4 cheaper on the day at 516p. **Tarmac** softened a couple of pence to 328p and **Rugby Portland Cement** lost the turn at *125p; the latter's interim results* are due next Monday. Elsewhere, recently-firm **Countryside Properties** encountered profit-taking and fell 14 to 280p.

ICI were a *steadier market* but, after edging forward to 639p, slipped back to *finish 4* lower on balance at a year's low *of 633p.*

Freemans wanted

*Mail-orders dominated pro*ceedings among secondary Stores. **Freemans** again featured and touched a new peak of 294p before settling 12 up on balance at 292p following an enthusiastic response to the first-half figures. **Empire**, scheduled to announce interim results early next month, rose 6 to 152p, after 154p. Elsewhere, support was again evident for **Martin Ford** which advanced 6 to 60p, after attaining a new *high of 61p, but the withdrawal* of speculative interest clipped 6 *from* **NSS**, *108p, and 8 from* **Goldsmiths** at 182p. Leading Retailers gave ground in thin trading as hopes of an early reduction in domestic interest rates faded. **Burton** shed 5 to 520p.

Initially unsettled by Rowe and Pitman's bearish view of **Thorn EMI**, leading Electricals gave further ground. **Plessey**, down to 128p earlier, settled 2 off at 130p, as did **GEC**, at 162p. **Cable and Wireless** closed 15 lower at 570p. *Elsewhere,* **Amstrad Consumer Electronics** touched 120p *before closing 8 up at 118p; the* annual results are scheduled for *October 2. In contrast,* **Miles 33**, interim figures expected next *Monday, met nervous offerings* and declined 27 to 333p, while **Logica**, annual esults due a day later, fell 11 to 159p. **Stone International** eased 5 to 165p following a placing of around 4.75m shares.

Spear & Jackson were the outstanding performer in Engineerings and touched 162p before settling a net 16 higher at 158p reflecting the better-than-expected interim results. Other firm *features in the sector included* **Thomas Robinson**, which im*proved 10 more to a year's high* of 130p—a rise of 40p over the past six trading days—and **Porter Chadburn**, a further 3 to the good at 250p amid takeover speculation. Bid rumours were also responsible for lifting **Birmid Qualcast** 1½ to 85p, after 86½p. **Vickers**, on the other hand, *lost* 5 to 283p ahead of tomorrow's interim figures.

The Food sector's prime bid *targets attracted speculative buy*ing initially on thoughts that *Imperial Group may use the* proceeds from its HoJo sale for a takeover in the sector. However, by the close of business **United Biscuits** were the only candidate showing an appreciable gain; **UB** finished 4 higher at 179p, after 180p. **Rowntree Mackintosh**, after touching 370p, ran back to close just a penny dearer on balance at 363p. On the other hand, **Batleys of Yorkshire** rose 5 to 125p, after 128p, on speculative buying, while **Sompertex** continued to reflect asset injec*tion hopes with a fresh rise of 7* to 102p.

Internationals dull

A sharp deterioration in sentiment around lunchtime put the miscellaneous industrial leaders under pressure and few showed any signs of rallying at the *close. International stocks were* again the major casualties with **Hanson Trust** down 4 at 195p and **BTR** 5 lower at 350p, after *348p.* **BOC** *shed 6 to 270p* and **Beecham** slipped 3 to 325p, while **Pilkington** *gave up 8 to 270p.* **Fisons** dipped to 348p prior to closing a net 10 down at 350p. **Trafalgar House** remained on offer at 348p, down 4, while **British Aerospace**, a firm market Monday on the prospect of a multi-million pound Soviet deal and the successful £1.6bn Indian Airlines order, encountered profit-taking and reacted to 403p before settling *7 lower at 408p.* Takeover favourites **Reed International** and **Bowater** *both gave* ground in the absence of any *developments, the former losing* 24 to 673p and the latter 10 to 325p. Interim profits above market estimates and a confident statement failed to sustain **Steetley** which shed 9 to 337p, but **Valor** firmed 5 to 179p on news of the disposal of a loss-making subsidiary. Buying ahead of the interim results due on October 8 lifted **Christies International** 8 to 253p, *while USM*-quoted **Bluebird Toys** firmed 3 *to 156 following satisfactory half*-year figures. **Parker Knoll A** *continued* to reflect the good annual profits with a rise of 6 to 206p.

Currency influences clipped a *few pence more from* **Jaguar**, at 272p. Elsewhere in Motors, **Armstrong Equipment** revived with a gain of 3 to 56p, but **Lucas** reacted to sporadic profit-taking to finish 7 cheaper at 376p. **Aerospace Engineering** shed 2 to 32p following the death of the chairman.

Paper/Printings provided a feature in **DRG** which dipped 10 *to 190p in reaction to the pro*posed £33m rights issue that accompanied sharply increased first-half earnings. **British Printing and Communication**, a steadily rising market since the recent satisfactory interim statement, touched 194p before settling a net 4 to the good at *192p following a press mention.* Otherwise subdued advertising agencies showed **Boase Massimi Pollitt** 15 off at 335p after the mid-term results.

The Property leaders gave modest ground as interest rate optimism faded, but secondary issues remained selectively firm. **Greycoat City Offices** were *note*worthy for a gain of 8 at 222p, *while* **Wates City of London Properties** improved 3 to 126p. **Regalian** firmed 5 to 260p and **Rush and Tompkins** added 4 to 266p. **Centrovincial Estates** responded to press comment highlighting takeover prospects and touched *210p prior to clos*ing a net 10 up at 205p. **Trafford Park Estates** *gained 7 to* 27p awaiting news of the bid approach.

Financials bucked the general trend and displayed some noteworthy gains. **Park Place** improved 6 to 193p, after 195p, in reply to the increased full-year profits. Fresh demand in a nar*row and sensitive market lifted* **Henderson Administration** 40 to *a 1985 peak of 860p.* **Ifico**, on the other hand, touched 145p initially before fresh offerings left the close 2 cheaper on balance at a 1985 low of 136p; the shares have now fallen 52 since the warning on profits that accompanied last Thursday's annual results.

Oils lose ground

Leading oils opened with minor gains across the board but subsequently fell away on the appearance of persistent sellers around midday, despite news of further damage to the Iranian *oil terminal at Kharg Island.* At the close **Shell** showed a 6 *decline at 667p,* while **BP** were 3 off at 530p, after 528p. **Britoil** and **LASMO** ended the day down 5 apiece at 200p and 273p respectively while **Tricentrol** dipped 7 to 183p. **Ultramar** lost 5 to 200p following the £8m purchase of Southwest Cons Resources—a subsidiary of Southwest Resources—which holds a 7 per cent interest in North Sea block *44/28;* **Southwest Resources** hardened a penny to 34p. Companies *with extensive* U.S. exploration and production *interests* came under renewed selling pressure with **Great Western Resources** down 15 at 105p, **New London Oil** 8 cheaper at 65p and **Firstland Oil and Gas** 5 easier at 110p. A U.S. drilling report boosted **Falcon Resources** to 58p at one point, but subsequent selling lowered the shares *to a closing level of 53p,* a net fall of a penny. **Jebsons Drilling** staged a *strong* rally and advanced 12 to 62p in a thin *market.*

Golds easier

South African Golds failed to respond to the latest rise in the bullion price and tended to *drift throughout the session.* A gradual decline in the Rand prompted persistent small selling of Golds by a number of Cape operators early on and this trend continued for much of the day to leave leading issues with *falls ranging up to ¾, as in* **Buffels**, £19, **Southvaal**, £23¾ and **Western Deep**, £23¼. Cheaper priced stocks were generally easier where changed and the Gold Mines index slipped back 2.0 to 310.9. Bullion moved above the $330 level at the outset, but thereafter eased prior *to closing* a net *$1* up at $328.5 an ounce.

South African *Financials* retreated in sympathy with Golds and showed **Gold Fields of South Africa** 19 off at 853p and "**Amcoal**" ¾ down at a 1985 low point of £14¼. London-registered Financials were unsettled by the weakness of domestic equities and **Consolidated Gold Fields** *fell away to 438p before steady*ing to close a net 6 lower at *441p.* **Rio Tinto-Zinc**, *expected to* announce preliminary results around midday today, gave up 5 more to 540p.

Australians continued to improve in overnight domestic markets but sellers quickly got *the upper hand in London* and the sector closed no better than *mixed.* A number of the Gold issues made further progress—**Central Norseman** rose 5 more to 423p, **Whim Creek** added 4 at 150p and **Poseidon** 2 to 198p—but profit-taking lowered **Gold Mines of Kalgoorlie** 5 to 520p and **Pancontinental** *3* to 99p.

FINANCIAL TIMES STOCK INDICES

	Sept. 24	Sept. 23	Sept. 20	Sept. 19	Sept. 18	Sept. 17	year ago
Government Secs	83.77	84.02	83.39	83.19	83.25	83.25	80.37
Fixed Interest	89.10	89.15	88.65	88.56	88.56	88.40	83.78
Ordinary ♥	982.7	995.3	1002.2	1007.8	1000.8	1002.7	870.0
Gold Mines	310.9	312.9	310.6	308.6	316.4	315.4	567.0
Ord. Div. Yield	4.83	4.79	4.75	4.72	4.75	4.74	4.80
Earnings, Yld. %(full)	11.86	11.75	11.65	11.57	11.66	11.63	11.43
P/E Ratio (net) (*)	10.44	10.54	10.63	10.70	10.62	10.64	10.51
Total bargains (Est.)	21,009	21,176	21,040	20,647	20,598	20,720	16,813
Equity turnover £m.	—	401.01	364.93	373.30	371.34	315.57	222.48
Equity bargains	—	18,717	19,471	16,265	17,057	17,856	15,657
Shares traded (ml)	—	191.7	167.3	176.2	200.2	164.4	122.4

♥ 10 am 994.5. 11 am 994.0. Noon 987.7. 1 pm 984.8.
2 pm 981.4. 3 pm 981.5. 4 pm 982.8.
Day's High 994.8. Day's Low 981.0.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activities 1974.
Latest Index 01-246 8026.
* Nil = 10.08.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low		Sept. 23	Sept. 20
Govt. Secs.	84.02 (23/8)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	166.8	165.0
Fixed Int.	89.15 (23/8)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	121.3	126.9
Ordinary	1024.6 (22/1)	911.0 (25/7)	1024.6 (22/1/85)	49.4 (26/6/40)	Equities Value	810.5	737.6
Gold Mines	536.9 (15/4)	280.1 (29/8)	734.7 (15/2/83)	43.5 (26/10/71)	5 day Average Gilt Edged Bargains	138.7	130.0
					Equities Bargains	115.8	115.9
					Equities Value	738.2	708.4

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept 23	Oct 4	Dec 19	Jan 6
Oct 7	Oct 18	Jan 9	Jan 20
Oct 21	Nov 1	Jan 23	Feb 3

For rate indications see end of Unit Trust Service

Stocks favoured for the call included **S. & W. Berisford**, **Sun Oil Royalties**, **Sandhurst Marketing**, **Falcon Resources**, **Newman Industries**, **Control Securities**, *Barratt Developments, Southwest* **Resources** and **Terrex**. A put was taken out in **Barratt Developments**, but no doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	93	12
Corpns. Dom. and Foreign Bonds	9	12	57
Industrials	233	407	845
Financial and Props.	99	133	324
Oils	14	38	74
Plantations	1	3	14
Mines	35	53	95
Others	104	32	94
Totals	497	771	1,515

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	*Closing* price	Day's change
Barratt Devs.	106	+8
Brit. Aerospace	408	−7
DRG	190	−10
Falcon Res.	52	−1
Freemans	292	+12
Imperial Group	186	−8
Jaguar	272	−3
Rank Org.	415	−5
Reed Intl.	673	−24
Sears	110	−1½
Stewart Wrightson	668	+13
Thorn EMI	357	−18

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or
15	F.P.	—	19½	17	RTD Group IR 1.75p	19	

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. *p* Pence unless otherwise *indicated.* ¶ *Issued by tender.* ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‖‖ Introduction. ✠ *Unlisted Securities Market.* § *Placing price.* ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (47)

BRITISH FUNDS (1)
Treas. 3pc 1987

CORPORATION LOANS (4)
B'ham 13¼pc 1989 — LCC 5½pc 1985-87
GLC 6¼pc '90-92 — Manch. 11½pc 2007

BANKS (2)
Mercury Securities — Schroders

BREWERS (1)
Clark (Matthew)

BUILDINGS (1)
Barratt Dvlpts.

STORES (7)
Debenhams — Ramar Textiles
Empire Stores — Samuel (H.)
Ford (Martin) — Stirling Group
Freemans

ELECTRICALS (1)
Amstrad

ENGINEERING (5)
Adwest — Tellos
Porter Chadburn — Weir Group 10pc Ptg. Cnv. Pref.
Robinson (Thos.)

FOODS (5)
Batleys — Greggs
Clifford's Dairies A N-V — Sisters Food
Somportex

INDUSTRIALS (3)
Assoc. Heat Serv. — Young (H.)
Baird (William)

INSURANCE (1)
Stewart Wrightson

LEISURE (1)
First Leisure

PAPER (2)
Michael (J.) Design — Smith (David S.)

PROPERTY (7)
Brit. Land 12pc Cnv. 2002 — Clayform Props.
Cardiff Prop. — Grosvenor Sq. Props.
CALA — Regalian
Rush & Tompkins

TOBACCOS (1)
BAT Inds. 12¼pc 2003-08

TRUSTS (5)
Throg. Sec. Growth Cap. — Hambro Trust
Tor Inv. Inc. — Henderson Admin.
Park Place Invs.

NEW LOWS (70)

AMERICANS (8)
Amer. Cyanamid — IU International
Amer. Medical Int. — Louisiana Land
BankAmerica — NYNEX
Chase Manhattan — Pacific Telesis

CANADIANS (2)
Bank Nova Scotia — Canadian Pacific

BANKS (3)
HK & Shanghai — Security Pacific
MCorp

BUILDINGS (1)
Turriff Corp.

CHEMICALS (3)
Hickson Int. — Novo Inds. B
ICI

STORES (1)
Goldsmiths

ELECTRICALS (4)
Cifer — TDS Circuits
Security Tag Syst. — Wayne Kerr

FOODS (1)
Bassett Foods

INDUSTRIALS (8)
Armour Trust — Nu-Swift
Eastern Produce — Rotaprint
Groveball — Standard Fireworks
Mysow — Wood (Arthur)

INSURANCE (1)
Bryant (Derek)

LEISURE (2)
Juliana's — SeaCo

SOUTH AFRICANS (1)
OK Bazaars

TOBACCOS (1)
BAT Inds.

TRUSTS (12)
Baillie Gifford Tech. — North Sea Assets
Fleming American — Northern American
Fleming O'seas Tst. — Pacific Inv. Tst. Wts.
Gen. Stockholders — Second Market Inv.
Group Investors — TR North America
Marine Adventure Sailing Trust — F & C Enterprise

OILS (11)
Charterhall — Intl. Atlantis Res.
Claremont Pet. — N. Court Natural Res.
Crusader Oil — New London Oil
Expln. Co. Louisiana — Oliver Resources
Gt. Western Res. — Santos
Intercont'l Energy

OVERSEAS TRADERS (4)
Finlay (James) — Inchcape
Harrisons Crosfield — Lonrho

PLANTATIONS (1)
Williamson Tea

MINES (6)
Anglo Am. Coal — McFinley Red Lake
Minorco — Northgate
Gt. Eastern Minerals — Tara Exploration

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues Sept 24 1985 — Mon Sept 23 — Fri Sept 20 — Thurs Sept 19 — Year ago (approx.)

FIXED INTEREST

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues.

Jubilee shares

DALE ELECTRIC GROUP is planning to give free shares to 860 employees to celebrate its golden jubilee.

Each employee will receive 50 shares, one for each year of the company's existence. The shares are fully quoted on the *London Stock Exchange and the* deal is subject to approval by *the company's annual meeting* in October.

OFT guide

THE Office of Fair Trading has published a free guide to the Restrictive Trade Practices Act to help the business community understand it better.

The guide explains in simple language the requirements of the Act, the duties placed on the office to examine agreements which restrict competition and what view the office and Restrictive Practices Court have taken in the past of certain sorts of agreement.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$320	24	17.50	10	27	—	—	$328
GOLD C	$340	132	6.50	16	16	3	22.50	"
GOLD C	$360	27	1.80	10	7.10 B	—	—	"

TOTAL VOLUME IN CONTRACTS: 23,567

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
B.P. (*530)	500	38	58	70	6	12	20
	550	9	25	37	30	33	40

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Racal (*136)	130	16	24	30	5	9	11
	140	11	17	24	12	14	17
	160	4	10	16	26	26	28
	180	1	6	11	46	46	46
R.T.Z. (*542)	500	57	75	—	5	18	—

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

Sept. 24	Price Sch.	+ or —
Creditanstalt	386	+1
Goesser	513	+3
Interunfall	1590	......
Laenderbank	357	+1
Perlmooser	638	+8
Steyr-Daimler	165	......
Veitscher Mag	589	+5

BELGIUM/LUXEMBOURG

Sept. 24	Price Frs.	+ or —
B.B.L.	2,075	......
Banq. Gen Lux.	7,800	......
Banq. Int. A. Lux	7,200	......
Bekaert B.	6,700	—190
Ciment CBR	2,520	+35
Cockerill	206	—4
Delhaize	8,250	—100
EBES	3,025	—90
Electrobel	9,000	—20
Fabrique Nat.	2,030	......
GB Inno BM	4,110	—75
GBL (Brux)	2,110	—5
Gevaert	4,200	—50
Hoboken	5,700	—60
Intercom	2,365	—25
Kredietbank	9,600	+50
Pan Hldgs.	9,950	—300
Petrofina	6,080	—80
Royale Belge	13,000	......
Soc. Gen. Banq	3,580	—10
Soc. Gen. Belge	1,910	—10
Sofina	7,700	—100
Solvay	5,440	+40
Stanwick Intl.	1,170	—130
Tractionel	4,120	—10
UCB	8,430	—130
Wagon Lits	3,855	—45

DENMARK

Sept. 24	Price Knr %	+ or —
Andelsbanken	327	+2
Baltic Skand	550	......
CopHandelsbank	302	+3
D. Sukkerfab	495	......
Danske Bank	346	......
De Danske Luft.	1,370	+35
East Asiatic	244	—3
Forenede Brygg.	1,055	......
Forenede Damp.	207	—1

GERMANY

Sept. 24	Price Dm.	+ or —
AEG-Telef	141	—0.5
Allianz Vers	1,585	+15
BASF	253xr	—0.7
Bayer	226.7	—5
Bayer-Hypo	407	+8
Bayer-Verein	403	+3
BHF-Bank	333	—3
BMW	474	—5
Brown Boveri	256.8	—3.5
Commerzbank	222	+1.5
Cont'l. Gummi	150	—6
Daimler-Benz	952	—6
Degussa	379.5	+11.5
D'sche Babcock	179	+6
Deutsche Bank	605	+2
Dresdner Bank	280	+1
GHH	191.5	—2
Hochtief	747	......
Hoechst	222.5	+0.5
Hoesch Werke	131	+1.5
Holzmann (P)	492 xd	—1
Horten	211	+13
Hussel	398	+1
Karstadt	291	+13
Kaufhof	320	+14
KHD	300	—9
Kloeckner	72	+1
Linde	557	—8
Lufthansa	228.5	+0.5
MAN	192	+9
Mannesmann	223.7	—3.8
Mercedes Hld.	853	—8
Metallgesell	270	—5
Muench Rueck	1,930	—20
Nixdorf	570	+1.5
Porsche	1,347	—2
Preussag	257	—5
Rhein West Elect	202.8	+2.3
Rosenthal	300	......
Schering	509	......
Siemens	600	+1
Thyssen	150.5	+2
Varta	251.5	—2
Veba	242	+0.5
V.E.W.	145	+1
Verein-West	346	......
Volkswagen	331.6	—1.9

ITALY

Sept. 24	Price Lira	+ or —
Banco Com'le	24,320	—180

NORWAY

Sept. 24	Price Kroner	+ or —
Bergens Bank	151.5	+1.5
Borregaard	445	—1
Christiania Bank	150	+1
DenNorske Cred.	151.6	+0.6
Elkem	120	+0.5
Kosmos	215	......
Kvaerner	176.5	—1.5
Norsk Data	387.5	—2.5
Norsk Hydro	116.5	+0.5
Storebrand	295	+4.5

SPAIN

Sept. 24	Price Pts. %	+ or —
Bco Bilbao	339	......
Bco Central	313	......
Bco Exterior	200	......
Bco Hispano	142	......
Bco Popular	330	......
Bco. Santander	354	+1
Bco. Vizcaya	440	......
Dragados	150	—1
Hidrola	71.2	+1
Iberduero	86.7	—1
Petroleos	150	—1.5
Telefonica	114	+0.6

SWEDEN

Sept. 24	Price Kroner	+ or —
AGA	128	......
Alfa-Laval B	205	+2
ASEA (Free)	292	+2
Astra (Free)	409	+5
Atlas Copco	119	......
Cardo (Free)	226	......
Cellulosa	135	......
Electrolux B	145xc	+1
Ericsson B	222	—3
Esselte	365	......
Mo och Domsjo	181	+4
Pharmacia	170	+9
Saab Scania Free	425	......
Sandvik	465	......
Skandia	309	+4
Skan Enskilda	54.5	+1
SKF	253	+5
St Kopparbergs	170	......
Sonesson	156	......
Sven Handlesbn	177	+2
Swedish Match	200	......
Volvo B (Free)	226	—1

AUSTRALIA (continued)

Sept. 24	Price Aust.$	+ or —
Gen. Prop. Trust	2.18	......
Hardie (James)	3.3	+0.08
Hartogen Energy	2.25	+0.05
Herald W'y'times	4.85	......
ICI Aust.	2.25	+0.06
Jimberlana F.P.	0.29	+0.01
Kia Ora Gold	0.15	+0.01
Lend Lease	6.3	......
MIM	2.55	+0.05
Mayne Nickless	3.1	+0.05
Myer Emporium	3.45	—0.05
Nat. Aust. Bank	4.78	—0.05
News	7.0	......
Nicholas Kiwi	2.00	......
North Bkn Hill	2.45	—0.05
Oakbridge	1.3	......
Pancontinental	2.0	......
Pioneer Conc	2.08	—0.02
Poseidon	4.0	+0.1
Queensland Coal	1.85	—0.02
Reckitt & Colman	3.75	......
Repco	1.4	+0.02
Santos	5.0	—0.04
Smith (Howard)	5.9	+0.2
Thos. Natwide	2.2	+0.05
Tooth	5.64	+0.08
Vamgas	3.5	+0.15
Western Mining	3.87	—0.01
Westpac Bank	4.78	......
Woodside Petrol	1.5	......
Woolworths	3.3	......
Wormald Intl.	3.65	+0.05

HONG KONG

Sept. 24	Price H.K.$	+ or —
Bank East Asia	31.3	+0.2
Cheung Kong	17.8	+0.2
China Light	16.1	......
Evergo	0.85	......
Hang Seng Bank	41.75	+0.5
Henderson Land	2.22	+0.07
HK China Gas	9.85	+0.05
HK Electric	7.6	—0.05
HK Kowloon Wh.	6.6	+0.05
HK Land	6.2	+0.2
HK Shanghai Bk.	7.15	—0.05
HK Telephone	8.6	......
Hutchison Wpa.	25.9	+0.4
Intnl. City	0.88	+0.02
Jardine Math.	11.5	+0.3
New World Dev.	7.5	+0.1
Orient O'seas	1.99	......

JAPAN (continued)

SWITZERLAND

NETHERLANDS

FRANCE

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm September 24

MONTREAL

Closing prices September 23

F—No voting rights or restricted voting rights.

NEW YORK—DOW JONES

Advances 482 Declines 944

TORONTO	Sept 24	Sept 23	Sept 20	Sept 19	1985 High	1985 Low
Metals & Minls	1,946.1*	1,958.9	1,919.8	1,924.5	2190.7 (13/2)	1839.3 (8/1)
Composite	2,671.9*	2,885.1	2,672.1	2,672.3	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	130.47*	131.35	130.99	130.92	138.33 (19/7)	117.00 (4/1)

* Indicates pre-close figure

Indices

	Sept 24	Sept 23	Sept 20	Sept 19	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	960.8	959.7	945.6	943.3	983.3 (13/8)	715.3 (7/1)
Metals & Mins. (1/1/80)	516.0	512.6	504.2	507.5	583.8 (20/5)	362.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	99.21	99.43	99.85	100.09	105.73 (17/8)	85.21 (2/4)
BELGIUM						
Brussels SE (1/1/80)	2467.86	2490.34	2500.40	2485.10	2490.34 (23/9)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	u	216.38	216.51	u	218.41 (9/9)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	216.2	216.2	218.0	218.3	233.1 (31/5)	180.9 (3/1)
Ind Tendance (28/12/84)	122.2	121.9	122.9	123.1	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	517.05	522.0	528.08	520.09	519.38 (12/9)	382.39 (3/1)
Commerzbank (1/12/53)	1523.7	1536.8	1552.8	1535.3	1538.9 (23/9)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1553.24	1535.45	1549.46	1563.27	1711.51 (19/8)	1220.74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	389.98	394.41	397.81	398.93	390.28 (13/9)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12755.6	c	12686.9	12584.99	13040.10 (6/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1017.50	c	1007.46	1004.10	1057.55 (10/7)	916 93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	218.8	218.8	221.5	221.2	223.0 (3/9)	185.6 (3/1)
ANP-CBS Indust (1970)	191.9	192.5	193.6	193.3	194.1 (3/9)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	388.23	387.75	330.72	386.08	388.23 (24/9)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	782.30	785.47	778.98	778.98	852.65 (7/3)	717.85 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	–	1099.0	1086.5	1051.1	1140.8 (15/4)	838.1 (11/2)
JSE Indust (28/9/78)	–	959.0	853.8	852.5	1036.8 (17/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	108.26	108.40	108.89	108.99	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (11/58)	1387.81	1392.55	1399.52	1398.84	1488.98 (11/2)	1285 32 (9/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	486.1	485.9	494.1	494.5	499.3 (11/9)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	–	218.9	213.5	213.0	224.3 (17/7)	184.6 (4/1)

* Indicates pre-close figure ** Saturday September 7 Japan Nikkei Dow 12,479 06 TSE 1,017.58 Base values of all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 101 and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u. Unavailable

LONDON Chief price changes (in pence unless otherwise indicated)

RISES			FALLS		
Amstrad	118	+ 8	Boase Massimi	335	−15
Barratt Dev	108	+ 8	Bowater	325	−10
Ford (Martin)	60	+ 6	Brit Aero	408	− 7
Freemans	292	+12	Country Props	280	−14
Hambro-Trust	183	+18	DRG	190	−10
Hambros	175	+ 7	Fisons	350	−10
Jebsens Drill	62	+12	Gt Western Res	105	−15
Robinson (Thos)	130	+10	Imperial	186	− 8
Somportex	102	+ 7	Miles 33	333	−27
Spear & J'son	158	+16	New L'don Oil	65	− 8
Stewart w'son	668	+13	Pilkington	270	− 8
Utd Biscuits	179	+ 4	Reed Intl	673	−24
			Steetley	337	− 9
			Thorn EMI	357	−18

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 35

Prices at 3pm, September 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24 3/8	16	AAR	.56	2.6	14	6	22	21 7/8	21 7/8	-1/8
17 3/8	9 3/4	AGS			13	48	16 1/8	16 1/8	16 1/8	-1/4
21 1/2	13	AMF	.25j		98	567	13 7/8	13 3/4	13 3/4	
50 3/4	26 1/4	AMR			7	2584	41 5/8	40 5/8	40 5/8	-7/8
14 1/4	7 3/8	APL				207	9 3/4	9 5/8	9 3/4	+1/8
61 1/8	34 3/4	ASA	2	5.2		233	38 1/4	37 7/8	38 1/8	-1/8
27	11 5/8	AVX	.32	2.6	18	10	12 3/8	12 3/8	12 3/8	-1/4
29 1/8	19 1/4	AZP	2.72	12.	7	651	23 5/8	23 1/4	23 3/8	-1/4
60	36 3/4	AbtLab 1.40		2.5	16	591	57 1/4	56 1/2	56 1/2	-3/4
25 7/8	20	AccoWd .50		2.4	16	x70	21	20 3/4	21	+1/2
24 3/4	12 1/2	AcmeC .40		3.0		87	13 5/8	13 1/2	13 1/2	-1/8
19	15 1/2	AdaEx 1.92e		11.		45	17 5/8	17 1/2	17 5/8	-1/4
20	13 1/2	AdmMI .32		1.9	7	33	17	16 7/8	17	+1/8
17 3/4	6 5/8	AdvSys .53t		3.9	19	101	13 7/8	12 7/8	13 5/8	+3/8
37 3/8	22 1/8	AMD			16	1776	27 1/4	26 1/4	26 1/4	-3/4
12 7/8	6 7/8	Advest	.12	1.4	20	120	9	8 7/8	8 7/8	-1/8
15 7/8	9 1/2	Aerflex			11	46	13	12 5/8	12 5/8	-1/8
49 3/8	32 3/8	AetnLf 2.64		5.8	16	4484	45 7/8	45 1/4	45 3/8	-1/4
37 3/8	20 1/2	Ahmns 1.20		3.9	8	1185	30 3/4	30 1/2	30 3/4	
3 3/8	2 1/2	Aileen				9	2 5/8	2 5/8	2 5/8	
57	42	AirPrd 1.48		2.8	12	629	53 7/8	53	53 3/8	+1/2
24 3/8	16	AirbFrt .60		2.7	13	180	22 3/4	22 3/8	22 3/8	-1/8
2 1/8	1 1/8	AlMoa	s.10e	5.8		5	1 7/8	1 7/8	1 7/8	-1/8
[illegible]										

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
28⅞	20⅛	SDieGa2 24	8.8	8	341	25½	25¼	25⅜	−⅛	
9¾	6¾	SJuanB90e	10.	10	x31	8⅞	8¾	8⅞	+⅛	
45⅛	31	Sandr .60	1.6	19	183	37⅝	37⅜	37⅜	−¼	
25⅜	20	SAnltRl1.94	7.8	13	38	24⅝	24⅜	24⅝	+⅜	
35⅜	23⅜	SFeSoP 1	3.1	14	2051	32⅛	31¾	31¾	−⅜	
46	30	SaraLee 1.44	3.4	12	447	42⅞	41¾	42⅛	+¼	
54½	50½	SaraL pf3.91e	7.7		10	50¾	50¾	50¾	+¼	
35⅞	29⅛	SglWat 1.40	4.1	15	6	33⅞	33⅞	33⅞		
19⅞	15¼	SaulRE .20	1.1	46	10	18	18	18		
22¼	16⅝	SavEIP1.60	8.3	7	x74	19½	19¼	19¼	−⅛	
23⅛	17¾	SavE 1.34	6.5		x3	20½	20⅜	20½	+⅜	
12½	9⅞	SavE pf1.28	11.		x21	11⅝	11¼	11½		
9⅛	5	Savin			115	6⅞	6⅝	6⅝	−⅜	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
66½	53	Trnsc pf3.87	6.8		5	56½	56½	56½	−½
25⅜	19½	TranEx2.36	11.		123	20⅞	20⅝	20⅞	
13⅛	6⅞	Transcn		6	35	7⅜	7¼	7¼	−⅜
13⅜	8¼	TrnsOh		11	3	9⅜	9⅜	9⅜	+¼
47½	29½	Tranwy1.80	4.0	13	1485	46¾	45⅛	45¼	−1¼
41⅛	28	Trnwld .48	1.3	12	672	37⅞	36⅞	37	−⅝

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
30¼	24⅜	ZaleCp 1.32	4.7	10	[illegible]					
19	7¼	Zapata .12	1.6	54	[illegible]					
57⅝	31⅛	Zayre s .48	1.0	16	[illegible]					
27	16¼	ZenithE			10	[illegible]				
21⅞	15¾	Zero s .32	1.7	18	[illegible]					
37¾	22¾	Zurnin 1.32	3.7	12	[illegible]					

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, September 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 33

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
A tempered response prevails

COOLER counsels prevailed on Wall Street yesterday as financial markets made their more considered response to the Reagan Administration's plans for U.S. international trade and the dollar, *writes Terry Byland in New York.*

The market proved unwilling to extend its gains, as buyers backed off. Bond prices rallied, but the slide in short-term interest rates was halted.

Blue chips rallied from a dull start but the broad range of the market was subdued despite some sizeable block trades in the financial sector.

At 3pm the Dow Jones industrial average was down 0.23 at 1,316.08.

Credit markets continued to focus on the prospects of success for plans to reduce the dollar's foreign exchange value, paying little heed to the latest data on the pace of the U.S. economy.

Bond prices edged higher, despite news of a sharp jump in August durable goods orders, implying a strengthening economy. The 0.2 per cent gain in consumer prices was in line with expectations.

Still due this week are the Treasury's latest budget statement, and the U.S. trade balance for August, both with significance for the federal deficit which remains a bearish factor for Wall Street.

Market analysts took comfort from the absence of any significant selling pressure. But Monday's 18-point rise appeared slightly unconvincing, in view of the moderate turnover total and the weakness in bonds.

The slide in short-term rates has again opened up prospects for a cut in the federal discount rate from 7½ per cent. Bank stocks, which would benefit from such a move, were featured by substantial block trades, notably 2.4m shares in Manufacturers Hanover, up $¼ at $35, and 590,000 in Bankers Trust, down $⅛ at $62½.

IBM shed $½ to $127⅞ and minor profit-taking in other technology stocks brought falls of $½ to $110⅞ in Digital Equipment, $¼ to $67 in Burroughs and $⅜ to $64⅞ in Honeywell. However, selling was light.

Motor stocks moved narrowly as the latest industry sales figures began to flow. Ford, reporting higher sales, edged up $¼ to $44¼, but Chrysler, down $⅛ at $36⅜, and General Motors, down $½ at $67¾, lacked supporters.

Profit-taking in chemicals took $1 off Monsanto at $46. But pharmaceuticals again looked for benefits from a lower dollar, Merck adding $⅞ to $110¼ and Pfizer $¼ to $47½.

Trading statements and takeover speculation brought activity in food stocks. General Foods, despite the board's construction of takeover defences, jumped $5¼ to $90 as hopes of a bid from Phillip Morris were re-ignited.

Pillsbury, regarded last week as a Phillip Morris bid target, fell $1⅜ to $57¼ despite higher profits in the first quarter. Beatrice Foods held unchanged at $33½ after disclosing lower sales for the second quarter.

General Mills, reporting lower earnings, gained $⅞ to $58⅜.

Litton Industries slumped by $5 to $72⅞ following a disappointing earnings forecast from the board. McDonnell Douglas fell $1½ at 71⅜ as a federal jury inquired into pricing policies on the F-15 fighter, a major product of the company.

TRW launched its "Dutch auction" buyback of 8m shares, with the stock down $1 at 81¼ as stockholders were invited to tender shares for between $80 and $88 a share.

Other scattered features included CBS, which fell $1¼ to $112 as the board considered selling its stake in Tri-Star Pictures and other assets to buttress takeover defences.

Bonds staged a modest rally in thin trading, as traders' nervousness about inflation were calmed by the slow growth in consumer prices in August.

Short-term rates remained steady but were little affected by the Federal Reserve's announcement of $3bn in customer repurchases.

LONDON
Renewed pressures take toll

LEADING equities came under renewed selling pressure in London yesterday, leaving the FT index down 12.6 at 982.7.

The market was unsettled by the appearance of a sizeable quantity of stock, particularly in the beleagured electrical sector, which coincided with a downgrading of projected profits for Thorn EMI. It fell 18p to 357p.

Imperial Group also fell – by 8p to 186p – as dealers expressed disappointment over the sale of its Howard Johnson subsidiary in the U.S.

The gilt-edged market was quieter after Monday's excitement following the Chancellor of the Exchequer's non-committal stance on interest rates.

Chief price changes, Page 33; Details, Page 32; Share information service, Page 30–31

AUSTRALIA

STRONG gains on Wall Street overnight and in gold bullion prices helped Sydney to close firm despite a late wave of selling.

The All Ordinaries index touched a record 965.4 during the day but closed back at 960.8, a net gain of 1.2.

BHP ended four days of solid gains, fuelled by bid speculation, to close 8 cents easier at $7.46. CSR lost 3 cents to A$3.15, and North Broken Hill eased 5 cents to A$2.45.

Golds were not included in the afternoon selling and Central Norseman and Kidston both firmed 30 cents to A$8.50 and A$5.50 respectively.

Banks closed mixed with National Australia down 8 cents to A$4.75 and Westpac steady at A$4.78.

HONG KONG

CONFIDENCE returned to Hong Kong amid hopes that local interest rates would not rise further.

The Hang Seng index ended the day 17.79 higher at 1,553.24 and turnover rose to HK$193m from HK$167m.

Among leaders Cheung Kong rose 20 cents to HK$17.80 Hong Kong Land was up 20 cents to HK$6.20 and Hutchison Whampoa put on 40 cents to HK$25.90.

In the property sector Sun Hung Kai Properties rose 20 cents to HK$12.60 and New World Development was up 10 cents to HK$7.50.

SINGAPORE

SPECULATIVE buying and profit-taking ended a string of steady advances in a mixed Singapore.

The Straits Times industrial index fell 3.17 to 782.30 and price changes were largely moderate.

Raleigh Cycles was the most active for the second day running with a turnover of 1.9m. It closed 32 cents up at S$3.36, while General Corp rose 11 cents to S$2.15 and Norsechem finished 2 cents down at S$1.95.

SOUTH AFRICA

THE FIRMER bullion price injected further strength into Johannesburg gold shares while the failure of the rand to respond to a broad decline in the dollar buoyed gold issues by providing a further impetus to the bullion price in local currency terms.

Randfontein Estates sprinted R7 ahead to R230 as Vaal Reefs picked up R4 to R201 and Buffels firmed R2 to R78. Scattered European buying interest was evident although most of the support was from local operators.

Elsewhere, Gencor added 25 cents to R29 and leading diamond group De Beers advanced 20 cents to R12.40. Chemical group AECI shed 20 cents to R7.50.

CANADA

THE EFFECT of the plunging U.S. dollar wore off in Toronto as shares retreated in fairly active trading.

Golds, which had led Monday's advance fell back with Echo Bay C$⅜ down at C$18¾, Campbell Red Lake off C$¼ to C$31¼ and Lac Minerals easing C$⅞ to C$34½.

Among actives were Hiram Walker which put on C$⅛ to C$31⅞ and Gulf Canada which lost C$⅛ to C$19⅞.

In Montreal banks and utilities both edged up while industrials were lower.

TOKYO
Rising yen fuels fresh buying spree

GROWING hopes of lower interest rates after the yen's sharp rise against the U.S. dollar in domestic and international currency markets boosted prices in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Investors scurried to buy large-capital shares such as utilities, shipbuilders and steels, as well as oils and domestic demand-oriented stocks. In the afternoon, however, the market levelled off as the yen fell back and profit-taking set in.

The Nikkei-Dow market average gained 22.59 to 12,755.60 – its fourth successive rise – with 476m shares traded compared with 408m last Friday, the last full session. Gains outnumbered losses by 402 to 395, with 131 issues unchanged.

Meanwhile, the new U.S. trade policy caused investors to expect stronger measures by the Japanese Government to stimulate domestic demand.

With the approach of a new business year in October, securities stepped up equity trading to expand their market shares.

Utilities remained in the spotlight throughout the day. A bout of buying by institutional investors and foreigners sent Tokyo Electric Power up Y160 to a new high of Y2,360.

Kansai Electric Power and Chubu Electric Power rose in sympathy. Gas stocks also gained ground, with Tokyo Gas firming Y29 to Y274.

Oils and trading houses advanced across the board in the morning on hopes of lower interest rates, but eased later in profit-taking. Nippon Oil added Y51 to Y760.

Mitsubishi Heavy Industries topped the most active list with 38.3m shares traded and firmed Y3 to Y447. Other large-capital issues also climbed, with Nippon Steel putting on Y6 to Y177 and Ishikawajima-Harima Heavy Industries Y6 to Y213.

Large construction shares drew strength from expectations of stronger measures to boost domestic demand. Kajima Corp rose Y22 to Y544, Taisei Corp, Y16 to Y396, and Shimizu Construction Y10 to Y421.

Among utilities equipment-related issues, Takoaka Electric Manufacturing firmed Y27 to Y495 and Osaka Transformer Y18 to Y547.

Bonds soared on hopes of lower interest rates in the U.S. Yields on long-term government bonds with some eight years or more remaining to maturity all dropped below 5 per cent.

City banks and other dealers stepped up buying in anticipation of higher bond prices, sending the yield on the benchmark 6.8 per cent government bond due in December 1994 plunging to 5.785 per cent from last Saturday's 5.915 per cent.

EUROPE
Full impact of dollar rate is felt

THE FULL IMPACT of a lower dollar exchange rate was felt on the European bourses yesterday as many centres encountered a spill-over of sentiment from Monday's sharp falls.

Brussels suffered another bruising session with the Belgian Stock Exchange index down 22.48 at 2,467.86 in response to the dollar and persistent technical pressures spawned by last Friday's record high.

Chemical group UCB was particularly weak again with a BFr 130 drop to BFr 5,430 while Tessenderlo eased BFr 85 to BFr 3,625. Wiremaker Bekaert, which exports a large portion of its steel cord for radial tyres to the U.S. declined a further BFr 190 to BFr 6,700 while market leader Petrofina dipped BFr 80 to BFr 6,080 in thin trading.

Wagons Lits, the travel and tourism group which made good progress in Monday's shakeout, finally succumbed to the bears and fell back BFr 45 to BFr 3,855.

Financial holding company Group Bruxelles Lambert lost ground after Friday's plans to join a Rupert Murdoch satellite television project in Europe. GBL fell BFr 5 to BFr 2,110 in moderate trading.

Other features of the session included Kredietbank which added another BFr 50 to BFr 9,600, its second consecutive record in two days of adverse trading, while specialist building group Cimenteries CBR also moved against the trend with a BFr 35 rise to BFr 2,520, partially recouping Monday's setback.

The lower dollar continued to dominate Frankfurt which finished widely mixed but with domestic shares encountering more support than export-sensitive issues.

The Commerzbank index, calculated at mid-day, fell 15.2 to 1,523.7, partly reflecting losses suffered in the second half of the previous session.

Department stores, currenty trading at record levels on the prospect of higher consumer spending fuelled by tax rebates due in the new year, made further progress, largely on the strength of UK buying.

New highs were achieved by the leading retailers with Kaufhof surging DM 14 to DM 320, while Karstadt firmed DM 13 to DM 291 and Horten, which is majority-owned by BAT Industries of the UK, jumped DM 13 to DM 211.

Banks made modest progress with Deutsche Bank DM 2 higher on some foreign buying at DM 605 and Commerzbank DM 2 stronger at DM 222.

Thyssen extended the gains of the previous day with a further DM 2 rally to DM 150.50 and electrical leader Siemens reversed early weakness to finish DM 1 higher at DM 600.

Cars eased, with Porsche suffering only a mild DM 2 decline to DM 1,347 while BMW dropped DM 5 to DM 474.

Hopes of higher gold prices boosted chemical and precious metals group Degussa DM 11.50 to DM 379.50 while mainstream chemical Hoechst added 50 pfg to DM 222.50.

Bond prices moved slightly higher in a nervous session with traders reluctant to open new positions. The Bundesbank which sold only DM 34.1m of paper after Monday's DM 93.4m sales, seemed intent on keeping price rises in single figures. Gains of 5 basis points were duly managed.

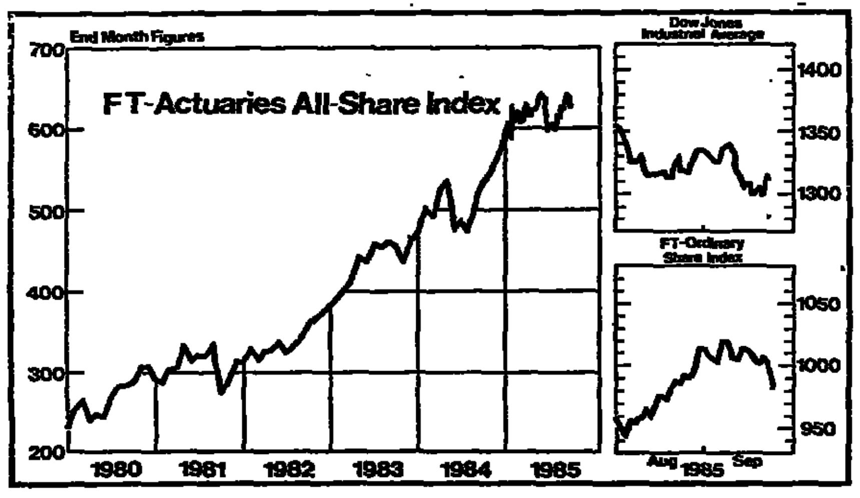
Amsterdam was hesitant in nervous trading which left prices mixed. Royal Dutch, however, managed to score a modest, but significant rise of 50 pfg to Fl 189 considering the tone of the session while Oce van der Grinten picked up Fl 1.50 to Fl 348.50.

ABN was particularly vulnerable in banks with a Fl 3 fall to Fl 494.50 ex-rights. Bonds were largely unchanged.

Madrid and Milan lost ground although Zurich finished mixed. Stockholm was steady despite heavy turnover.

Oslo, in stark contrast to the other bourses, hit another record high as the Stock Exchange index firmed 0.18 to 368.23. Storebrand surged to a 1985 peak of NKr 295 with a rise of NKr 4.50 although Borregaard eased from its Monday record with a NKr 1 drop to NKr 445. Banks advanced with Bergen NKr 1.50 higher at NKr 151.50 and Christiania NKr 1 stronger at NKr 150.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Sept 24	Previous	Year ago
DJ Industrials	1,316.08*	1,316.31	1,205.60
DJ Transport	652.86*	658.01	515.57
DJ Utilities	153.11*	153.52	134.90
S&P Composite	182.82*	184.30	165.28
LONDON			
FT Ord	982.7	995.3	870.0
FT-SE 100	1,280.1	1,292.1	1,122.1
FT-A All-share	623.82	628.33	528.97
FT-A 500	684.24	689.99	576.88
FT Gold mines	310.9	312.9	567.0
FT-A Long gilt	10.27	10.24	10.40
TOKYO			
Nikkei-Dow	12,755.6	12,686.9	10,505.1
Tokyo SE	1,017.50	1,007.46	814.49
AUSTRALIA			
All Ord.	960.8	959.7	731.8
Metals & Mins.	516.0	512.6	442.4
AUSTRIA			
Credit Aktien	99.21	99.43	54.32
BELGIUM			
Belgian SE	2,467.86	2,490.34	–
CANADA			
Toronto			
Metals & Minls	1,946.1*	1,958.9	1,957.0
Composite	2,671.9*	2,689.1	2,370.1
Montreal			
Portfolio	130.47*	131.35	116.88
DENMARK			
SE	n/a	216.38	171.44
FRANCE			
CAC Gen	216.2	216.2	177.3
Ind. Tendance	122.2	121.9	115.6
WEST GERMANY			
FAZ-Aktien	517.05	522.0	361.72
Commerzbank	1,523.7	1,538.9	1,048.5
HONG KONG			
Hang Seng	1,553.24	1,535.45	990.82
ITALY			
Banca Comm.	389.98	394.41	215.21
NETHERLANDS			
ANP-CBS Gen	218.8	218.8	174.5
ANP-CBS Ind	191.9	192.5	136.4
NORWAY			
Oslo SE	368.23	367.75	255.14
SINGAPORE			
Straits Times	782.30	785.47	890.22
SOUTH AFRICA			
JSE Golds	–	1,099.0	994.1
JSE Industrials	–	959.0	855.6
SPAIN			
Madrid SE	108.26	108.40	147.10
SWEDEN			
J & P	1,387.81	1,392.55	1,418.68
SWITZERLAND			
Swiss Bank Ind	485.1	485.9	375.5
WORLD	Sept 23	Prev	Year ago
Capital Int'l	218.9	213.5	182.2

GOLD (per ounce)

	Sept 24	Prev
London	$328.50	$327.50
Zürich	$327.55	$326.55
Paris (fixing)	$331.16	$333.09
Luxembourg	$328.75	$330.25
New York (Dec)	$334.80	$333.75

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Sept 24	U.S. DOLLAR Previous	STERLING Sept 24	STERLING Previous
$	–	–	1.432	1.427
DM	2.714	2.7315	3.885	3.8975
Yen	229.7	231.7	329.0	330.5
FFr	8.275	8.345	11.8475	11.9075
SwFr	2.2295	2.24	3.18	3.195
Guilder	3.0485	3.0665	4.36	4.375
Lira	1,831.5	1,898.5	2,620	2,620.75
BFr	54.85	55.2	78.6	77.75
C$	1.36125	1.3657	1.944	1.9514

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 24	Prev
£	11⅞/16	11⅝/16
SwFr	4⅝/16	4⅝
DM	4½	4½
FFr	10½	10⅜
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅝/16	8⅛
6-month U.S.$	8⅜	8⅝/16
U.S. Fed Funds	7¾*	7⅞
U.S. 3-month CDs	7.80*	7.80
U.S. 3-month T-bills	6.815*	6.88

U.S BONDS

Treasury		Sept 24* Price	Sept 24* Yield	Prev Price	Prev Yield
8⅞	1987	100¹¹/₃₂	8.809	100⅝/₃₂	8.88
10⅜	1992	101⅝/₃₂	10.12	100²⁹/₃₂	10.19
10½	1995	101⅝/₃₂	10.30	100²⁷/₃₂	10.358
10⅝	2015	100¹¹/₃₂	10.582	99³¹/₃₂	10.63

Corporate	Sep 24* Price	Sep 24* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100⅝	10.25	99⅞	10.45
3⅞ July 1990	81½	8.70	81½	8.70
8⅜ May 2000	83¼	11.08	82⅞	11.15
Xerox				
10⅜ Mar 1993	98⅞	10.85	98½	10.92
Diamond Shamrock				
10⅜ May 1993	96⅞	11.25	96½	11.32
Federated Dept Stores				
10⅜ May 2013	93½	11.40	92⅜	11.50
Abbot Lab				
11.80 Feb 2013	102½	11.50	102⅜	11.60
Alcoa				
12¼ Dec 2012	100	12.25	93¾	12.40

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	75-04	75-10	74-24	75-01
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.92	92.96	92.82	92.90
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.07	92.07	91.94	92.02
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.69	91.70	91.60	91.57
20-year Notional Gilt £50,000 32nds of 100%				
Dec	112-20	112-29	112-14	112-31

COMMODITIES

(London)	Sept 24	Prev
Silver (spot fixing)	430.00p	428.60p
Copper (cash)	£956.50	£943.50
Coffee (Sept)	£1,537.00	£1,581.50
Oil (spot Arabian Light)	$27.45	$27.45